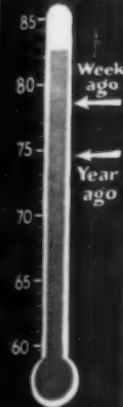


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# BUSINESS WEEK

BUSINESS  
INDICATOR



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Underwood & Underwood

McGRAW-HILL  
PUBLISHING  
COMPANY, INC.

**RUSH HOUR**—For Christmas shopping, in New York and all across the nation, the biggest volume of shopping in seven years.

20 CENTS

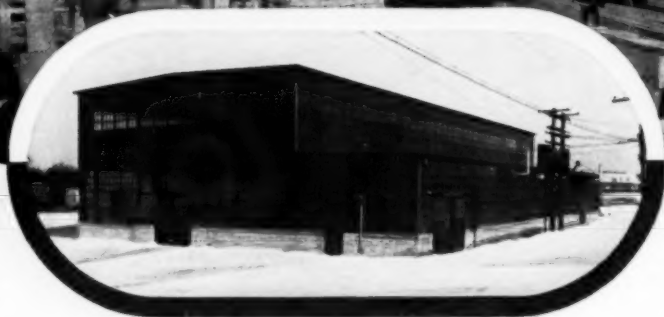
# TRUSCON

## "Anti-Freeze Solution"

### FOR THE PROBLEM OF BUILDING IN WINTER



Above: Interior view of a Truscon Standard Building... Type 1, Series "B". Size... 50 ft. x 160 ft. x 33 ft. with lean-to 24 ft. x 160 ft. x 16 ft. 1 in.



Left: Exterior view of the Truscon Standard Building illustrated above... one of almost limitless types and arrangements.

When temperatures drop, Truscon Standard Buildings go up... as fast as they do in warm weather! Don't let Winter "freeze" YOUR plans to have that new plant, plant addition or modernization. • Truscon Standard Building Service provides a dependable "anti-freeze solution" for the problem of building in winter. Truscon not only manufactures the units of which your building is composed. Truscon will also erect the building. • No time is lost. No materials are wasted. Economy and accuracy are combined when Truscon Standard Building Service goes into action. Your Truscon Building will be exactly as designed. • You can have any type and size of building...any arrangement of steel doors and windows...any type of steel sidewalls and any type of roof design. Note list of important advantages of Truscon Standard Buildings on this page. Additional information will be sent promptly upon request.



**SELECTIVITY:** Any type and size of building... any arrangement of doors and windows... any type of steel walls... any type of roof design.

**ECONOMY:** Truscon manufactures and will erect, if desired. No time is lost. Materials wasted. Minimum cost.

**SPEED:** Truscon Standard Buildings erected in less time than any comparable size of permanent building.

**FIRE-SAFETY:** All units made of heavy-gauge steel... resist fire, rust, corrosion. Warp-proof. Water-proof... Weather-proof.

**ENDURO BASE PANEL:** Every Truscon Standard Building equipped with base panel of ENDURO Steel. Added protection against rust and corrosion of base.

**PORTABILITY:** Although Truscon Standard Buildings are permanent structures... they can be dismantled, transported and re-erected practically 100% salvage value.

USE THIS FOR PROMPT RESPONSE. We are interested in the type of building checked below.

Length.....Width.....Clear Height.....

**SERIES-A—pitched roof types**

TYPE-1 ☐   
 TYPE-2 ☐   
 TYPE-3 ☐   
 TYPE-4 ☐

**SERIES-B—flat roof types**

TYPE-1 ☐   
 TYPE-2 ☐   
 TYPE-3 ☐   
 TYPE-4 ☐

Name.....  
 Address.....  
 City.....

# TRUSCON STEEL CO

YOUNGSTOWN, OHIO

ENGINEERING OFFICES... 24 WAREHOUSES

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 1939 to 1940...

DECEMBER

## New Business

How not to fight the cooperatives is neatly described by Henry J. May, general secretary of the International Cooperative Alliance. "I have been asked several times since my arrival in the United States whether the cooperative movement in European countries has suffered much from the attacks of its rivals, the trade associations. In Great Britain the cooperative movement has never known any other experience, but recent attacks have subsided—in the open—because it was demonstrated that they were so virulent as to serve as an excellent form of publicity for cooperation. One London cooperative profited by a particularly virulent outburst in the press by enrolling 10,000 new members in a month."

DR. AMBROSE SWASEY, famous co-founder of Warner & Swasey, has scientific and engineering honors numerous enough to fill this column with small type. He was honored again last week, however, with the Hoover medal (presented by Gano Dunn), at the



annual banquet of American Society of Mechanical Engineers. "Dr. Swasey is in his 90th year," said Herbert Hoover, speaking before the presentation, "and has spent 70 in engineering and public service. Seventy years are enough to entitle him to this medal."

Two carefully-balanced groups of school children are given room-lighting tests in Cambridge, Mass. Those in rooms lighted in accordance with the findings of modern engineering are found to have a 28% edge in reading and a 10% margin in achievement over the group struggling along in orthodox so-called light. No moral needed.

NOTE on the progress of Empire: The Banco di Roma, Rome, Italy, continuing

**BUSINESS WEEK** (with which is combined The Magazine of Business) Dec. 12, 1933, No. 280. Published weekly by McGraw-Hill Publishing Company, Inc., Publication office, 69-123 North Broadway, Albany, N. Y. Editorial and executive offices, 230 W. 42nd St., New York, N. Y. James H. McGraw, Jr., Chairman; Malcolm Muir, President; James H. McGraw, Honorary Chairman; Glenn Griswold, Vice-President and Editor; E. R. Putnam, Treasurer; D. C. McGraw, Secretary. \$5.00 per year in U. S. A., possessions, and Canada; \$7.50 per year in all other foreign countries; 20c per copy. Application for entry as second-class matter at Albany, N. Y., pending. Printed in U. S. A. Copyright 1933 by McGraw-Hill Publishing Company, Inc.

## "We'd as soon make deliveries in a HORSE AND BUGGY



as do without Ediphone Voice Writing  
because our Dictators have increased  
their business capacity 25%!"

(From Edison Records of the World's Business)

Before Voice Writing on the Ediphone was adopted by this department store, each Credit Department "dictator-secretary team" spent far more time writing letters than was actually needed. Secretaries were forced to sit around, idle, while dictators answered interrupting telephone calls and interviewed customers. Hours were wasted every week! And many credit letters were delayed—causing serious losses of money and good-will.

Interruptions no longer waste time!

As soon as customers leave, dictators turn to their Pro-technic Ediphone "24-hour secretaries" and voice-write, with the information fresh in

mind. Everyone is free! There is no waiting for "dictation periods" . . . no needless duplication of effort. Due to Ediphone availability, more letters are written . . . better letters . . . and all of them get out on time! The store's assistant credit manager attributes a 25% increase in dictator business capacity to Ediphone Voice Writing.

Voice Writing guarantees a 20% to 50% increase in business capacity to any organization. For details of the new Edison "You-Pay-Nothing"

Plan, Telephone The Ediphone, Your City. Or write direct to—

*Pro-technic*  
**Ediphone**

*Thomas A. Edison*  
INCORPORATED  
ORANGE, N. J. U. S. A.

DUST-PROOF · DIGNIFIED DESIGN · SANITARY  
TAILORED IN STEEL · "BALANCED" VOICE WRITING



# So you're going MODERN

—which means more than scrapping obsolete machines, old-time line shafts, and ill-advised power-wasting small motors. In the larger sense, "going modern" today means *planned production*—scheduled and routed—and part of that picture is *Modern Group Drive*. This newer way of transmitting power to machines, combining the best of the two older systems (individual motor drive and line-shaft drive) interests every plant executive because it is *designed* for planned production.

\* \* \*

**Modern Group Drive** calls for large motors for *groups* of machines and individual motors where required for *single* machines. With planned production this newer, more efficient system increases production and cuts costs. Compared to individual motor drive applied to machines indiscriminately throughout a plant, Modern Group Drive shows savings in installation, operation, maintenance and power costs that no business can afford to lose.

\* \* \*

As a method of applying motor-power to production machines, Modern Group Drive is inherently more efficient because it uses *larger* motors with *better* power factor. These larger motors cost you from 35% to 85% less per motor horsepower. And you buy *less* motor horsepower for the same number of machines.

## SEND FOR FREE BOOKLET

Our Red Book talks your language and tells with pictures and brief text why and where Modern Group Drive is more efficient and economical. Send for a copy today. Case studies are also yours for the asking. And at your call, without obligation, are Power Transmission Counselors throughout the country who co-operate with plant, consulting and public utility engineers in the modernization and installation of industrial power transmission systems.

**POWER TRANSMISSION COUNCIL**  
75 STATE STREET • BOSTON, MASSACHUSETTS

*A research association of producers and distributors of power, power units and mechanical equipment for transmitting power.*



## MODERN GROUP DRIVE

—the new efficient and economical way of transmitting power to machines

its Mediterranean tradition, has been called upon to collaborate in the commercial exploitation of the Ethiopian Empire. Besides a recently opened branch bank in Addis Ababa, the bank has a network of branches in Eritrea at Asmara, Massaua, and Assab; in Italian Somaliland at Mogadiscio, and in the interior of Ethiopia at Harrar. A third branch in Ethiopia will open soon at Dessie. The bank has an office in New York where information on trade possibilities and credit reports on firms of the Ethiopian Empire can be obtained.

"TRADE delegations, given official government sanction, and authorized to speak for farmers and industrialists, can do invaluable work for the United States if they are sent to Europe in the near future," declares Samuel C. Lamport, head of the cotton goods export house which bears his name. "Separate groups should be sent to England, Russia, France, and Italy, and a special delegation should be authorized to visit the Balkan countries."

CHARLES R. WALGREEN, head of the drug store chain, bought "G. Page," steer champion of the International Live Stock Exposition at Chicago last week, for \$3 a pound. This represented an outlay of \$3,060 for the 1,020-pound beef animal. Unlike his predecessors, however, "G. Page," exhibited by the Oklahoma A. and M. College, did not lose his head as a result of winning a crown. Mr. Walgreen apparently did not feel an urge to feature championship beef at his drug store fountain lunches, announced that his acquisition would be sent to his farm at Dixon, Ill., as an educational exhibit.

FOUNDED in 1902, the American Society for Testing Materials, 260 S. Broad St., Philadelphia, has constantly accelerated its usefulness to industry in providing authoritative, unbiased engineering standards for materials test and specification. Now comes its triennial "1936 Book of A.S.T.M. Standards" in two volumes, purchasable separately, Metals (910 pages), and Non-Metallic Materials (1480 pages).

Moscow hotels for the last two months have been filled with sales representatives of foreign manufacturers who are finding it profitable to comply with the Soviet's newest scheme of buying as much of their imports as possible direct from producers rather than through their buying organizations abroad. Purchases of American equipment in the last few weeks from sales representatives who have gone to Moscow have exceeded several million dollars. Heavy machinery, oil refining equipment, and precision machinery make up the bulk of the new business. Many of the purchases are for cash.



# SKF

BALL AND ROLLER BEARINGS

Another Industry Salutes  
**SKF** Quality...

When Industry awoke to the sky-high cost of inefficient bearings, it naturally looked for help from the largest maker of industrial bearings in the world...**SKF**. And Industry received that help.

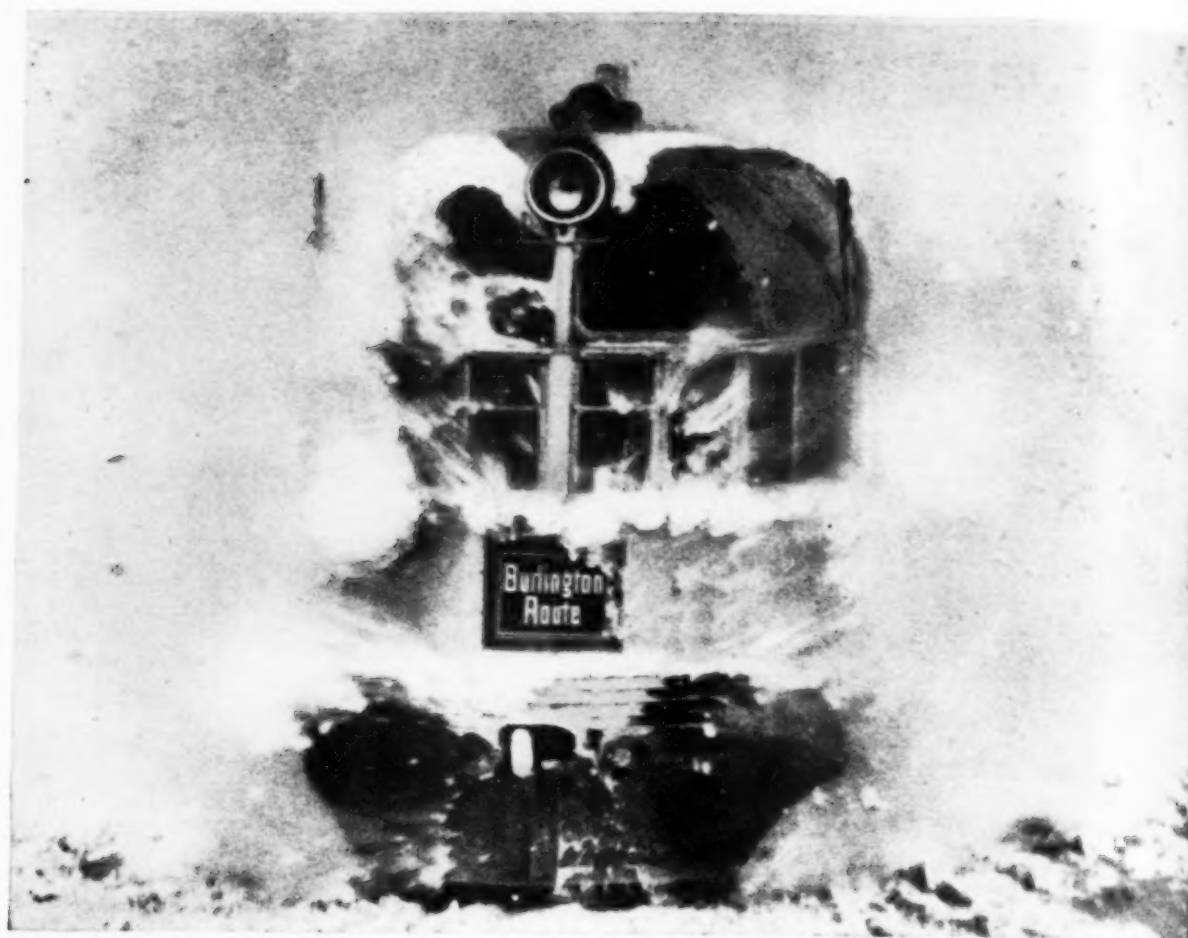
**SKF** makes it a habit to produce the right bearing for every purpose...makes it another habit to put the right bearing in the right place...always.

In the Textile Industry, the leading manufacturers select **SKF** Bearings. Plant after plant uses them exclusively. For makers of textiles were among the first to realize that they cut down shut-downs . . . lop off top-heavy overhead . . . wipe out waste.

Follow the example of the Textile Industry. Select your bearings on performance, too. Switch or stick to **SKF**. . . **SKF** Industries, Inc., Front Street and Erie Avenue, Philadelphia, Pa.

More than 6,000,000 **SKF** Roller Bearing Bolsters are used in spindles throughout the world.

Famous **SKF** Self-Aligning Ball Bearing. The Textile Industry was first to use this bearing.



Head-on photograph of a Twin Zephyr of the Burlington Route bursting through a snow-drift at high speed

## WHEN A ZEPHYR MEETS A BLIZZARD

WHAT happens when a Zephyr, traveling at high speed, slams into a snow-drift? Nothing, so far as any passenger can tell! Simply, there is a soft explosion of fluffy whiteness as the Zephyr flashes on its way. At seventy miles an hour there is neither shock nor vibration. Built of stainless steel by the Budd "Shotweld" process, it is a homogeneous shell of virtually indestructible metal having four times the elastic strength of ordinary steel. Streamlined, it slips like a bullet through drifted snow. And the faster it goes the closer it seems to cling to the rails.

There is nothing faster — nothing safer — and certainly nothing more comfortable upon wheels than a Budd-built train.

The bruising test of long experience has now proved all that Budd engineers claimed for this revolutionary type. In over two million miles of practical and profitable service, Budd-built trains have operated under

every sort of condition — from the fog-bound coast of New England to the blazing shores of the Rio Grande. From the Great Lakes to the Colorado Rockies. Floods, Blizzards, Scorching twisters of blinding dust. All have proved the striking superiority of light-weight stainless-steel construction over conventional structures that depend upon massiveness for strength.

There are waiting-lists for almost every Budd-built train now in operation. Equally important to both management and investors, these popular trains have shown a remarkable ability to reduce operating costs and increase revenues in comparison with standard trains of equal capacity.

*Originator of all-steel bodies for automobiles, now used almost universally, the Edw. G. Budd Manufacturing Co. has been for many years a leader in the design and fabrication of steel products.*

## EDW. G. BUDD MANUFACTURING COMPANY

PHILADELPHIA AND DETROIT

BUDD METHODS SAFELY ELIMINATE DEAD-WEIGHT

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# Washington Bulletin

WASHINGTON (Business Week Bureau)—A prediction that the Supreme Court will uphold the Robinson-Patman Act is warranted by its unanimous decisions sustaining the validity of the Illinois and California fair-trade laws. The court conceded that the question whether price-cutting of branded goods is injurious to the general public is debatable but accepted the state legislatures' determination as conclusive. In the R-P Act, Congress holds price discrimination to be contrary to the public interest. The corollary is plain.

## Blanket Approval in Doubt

The indicated disposition of the court to approve R-P's general purpose in no sense carries through to specific provisions. In the fair-trade law case, the court may have been willing to swallow such a phrase as "fair and open competition," which was attacked as vague and indefinite, but that does not argue it will stomach the special kind of vagueness and indefiniteness that characterizes R-P. There can be—and is—honest doubt about the exact meaning of "due allowance" and "proportionally equal." Incidentally, it should also be remembered that R-P contains no separability provision.

## No Man's Land Again

In its fair-trade decision the court leaves open the question whether legality of the resale price contract within one state operates to make shipment of the goods in interstate commerce legal. The Tydings bill that got lost in the shuffle last session after passing the Senate without dissent is intended to cover this situation, and in view of the impetus given the fair-trade movement, it stands a good chance of becoming law next session. Meanwhile, interstate operators can protect themselves by using local wholesalers' omnibus contracts or shipping to themselves or their consignment agents in states where the resale contract is operative.

## Distinction With a Difference

This legal hiatus between intrastate and interstate operations apparently gives the Federal Trade Commission one leg to stand on in its complaints against the distillers. But its charge that they went beyond the law in policing their fair-trade contracts, resorting to conspiracy, coercion, blacklists, boycotts, etc., remains the more substantial leg of its argument. Trade interests anticipate greater FTC vigilance of this type, aimed at keeping vertical price-fixing, legal under the fair-trade laws, from becoming hori-

## COUP D'AMOUR

*"Love your neighbor's wife" is more interesting than "Love your neighbor." That is one New Dealer's bitter side-comment on the first bad break President Roosevelt ever had in having his own publicity blanketed. In view of the length of time any international conference takes to grind out results, however, some optimists think it may be just as well. Besides, Charley Michelson is flying down to South America, so Mrs. Simpson had better protect her mortgage on America's front pages.*

zontal price-fixing, illegal under the Sherman Acts.

## The Man Behind the Man

Berry hogged the stage in Washington this week, but behind the scenes is Donald Richberg. The former NRA administrator who has been on the payroll of the Department of Justice since April 17, resigned this week. There is nothing more than mere speculation, however, to indicate that Roosevelt will bring him to the front again as No. 1 man but he is framing definite proposals for revamping anti-trust laws and enforcement machinery, involving both the Department of Justice and the Federal Trade Commission. (BW—Oct 3 '36, p. 17).

## Regulation by Definition

Lot of Richberg's work during several months past is expected to emerge as legislation aimed at outlawing bad labor conditions by Congressional definition of what constitutes unfair practices. Such a law would give affirmative legal sanction to approved codes that include minimum wages and maximum hours with other competitive standards. The framework of Richberg's proposals doesn't extend beyond the boundaries of interstate commerce as defined by the Supreme Court.

## Re-employment Rewards

President Roosevelt will return to Washington next week ready to push the plan for quick registration of the unemployed. Out of this, according to good advices within the Administration, will come some preference for individual industries that deal directly and effectively with the problem. From the same source comes word that Roosevelt will not permit business to get by with mere collective expressions of good-will. He is going to put promises of cooperation to the test with individual executives. The President's resolve has been strengthened by the violent protest against trimming of WPA rolls.

## No Co-op Splurge

Long-delayed report of President's Committee which studied European cooperatives is beginning to materialize after deadlock, but its release will mean few headlines. Conservative members of body have succeeded in limiting it to factual study.

## PWA Fights for Life

Ickes is bidding for industrial support for perpetuation of Public Works Administration, scheduled to lose another of its nine lives next June, by reminding material suppliers of large purchases and showing that primary indirect employment in turning out steel, cement, etc., for non-federal projects totals 2½ times as many man-hours as direct employment in construction. Incidentally, curtailment of public works and other spending programs will cut into tax receipts in 1938 fiscal year.

## Want Grandeur Grand Coulee

Migration of drought-stricken farmers from Great Plains into the Northwest forecasts terrific pressure on Congress for expansion of reclamation program. Key project is raising the height of Grand Coulee Dam in Columbia Basin. Senators Borah and Schwellenbach are joining forces for \$20,000,000 appropriation. Local delegations clamoring for this and other projects are pestering the Budget Bureau.

## Power Drive Rolls On

Plans for the sale of power from Bonneville Dam also are being pushed. The White House truce with the utilities will not sidetrack legislation providing for operation of the dam by the army corps of engineers and sale of power on contracts and rates approved by the Federal Power Commission.

## Playing It Safe

"Just a precautionary step," explains the Securities and Exchange





Falconer Building, Baltimore, Md.

## PRINTING PLANT SOLVES TEMPERATURE PROBLEM

Webster Moderator System Meets Diverse Heating Needs in Baltimore Building

### CHANGE TO DISTRICT STEAM

Baltimore, Md.—To meet the diverse heating needs of printer, lithographer and office worker—without interfering with the comfort and efficiency of the others—is the function of the Webster Moderator System in the eight-story Falconer Building.

The Falconer Building is occupied by the Falconer Company, one of the largest producers of bank and commercial stationery in the East. Manufacturing operations include printing, lithographing, steel die stamping and bookbinding. Some of these operations, particularly lithographing and printing, require constant temperatures. As a result of installation of the Webster Moderator System, the needs of all departments have been adequately met.

Before completion of a Webster Heating Modernization Program in 1932 it was impossible to maintain steady temperatures on certain floors without overheating other parts of the building.

With the Webster Moderator System, steam distribution is carefully controlled so that desired temperatures are reached and held in each section of the building. The flexibility and ease of control is facilitated by use of district steam service. The Falconer Company has found purchased steam, when used with the Webster Moderator System, more economical and dependable than private boiler plant operation.

The Webster Moderator System has overcome difficulties that cost the Falconer Company money and continual annoyance. Over a period of four years, the distribution of steam has consistently been satisfactory for their various departments.

Webster traps, valves, orifices, concealed radiation, central heat controls—all are available from one manufacturer under undivided responsibility.

If you are interested in heating new buildings, or in improved heating service and lower heating cost in your present building, address WARREN WEBSTER & CO., Camden, N. J. Pioneers of the Vacuum System of Steam Heating. Branches in 60 principal U. S. Cities—Estab. 1888

Commission of its order that registered public-utility holding companies must have dividend plans approved by it before payment. This is aimed only at paying unearned dividends out of surplus. Holding companies may continue managerial and service relations with operating companies without the necessity of obtaining the commission's approval.

### Helpful Precedent

Not a clear-cut victory for either side, the Supreme Court indecision in the holding company suits gives far more comfort to government than to utility lawyers. Principle that multiple suits may be suspended during trial of test case will be useful to Administration in other fields in which business opposes new deal laws.

### Hard Lines for Utilities

More stringent regulation of utilities is emphasized by coincidence this week of two decisions: (1) The Supreme Court upheld, against the protests of the telephone companies, FCC's accounting regulations requiring, among other things, the recording of original costs of telephone property; (2) Requests of 37 electric utilities for the postponement and further consideration of the Federal Power Commission's uniform accounting system were turned down.

### Curious Complaint

Pursuit of A. T. & T. by the Federal Communications Commission continues to baffle disinterested bystanders. Instance: FCC is disturbed because Bell Laboratories, Inc., profits by selling to outside interests certain discoveries not applicable in the telephone field. Because A. T. & T. wholly owns Bell Laboratories it would seem that such sales would ultimately work toward a reduction in rates. Were shoe on the other foot—were laboratories too expensive—telephone users might seem to have just complaint.

### Dry Drive

Make no mistake about it, a new battle to impose prohibition on U. S. is coming. The cloud on the horizon is already considerably bigger than a man's hand. "U. S. on way to become drunken nation," shouts Dr. E. H. Cherrington, executive secretary of what's left of the old Board of Temperance, etc. Liquor interests, realizing danger, point out that the federal government takes \$1,200,000,000 and state governments another billion on distilled liquor alone, that 100,000,000 bushels of grain, besides fruits, etc. are used by distillers. Not content with economic arguments, distillers point to reduction in per capita

consumption and deaths from alcoholism compared with 1917.

### Speaking of Glass Houses

Federal Trade Commission in attack on auto manufacturers for advertising credit charge of only 6% when FTC thinks it is closer to 12% brings a wail from home owners protective enterprises that Federal Housing Administration advertises 5% on modernization loans when the real cost to buyers runs nearly 10%. Protestants call attention to "mote and beam" parable, but like the trade commission, ignore that fact that both FHA and the finance companies have brought down the cost to the consumer of installment buying.

### Hit In-and-Outers

The Treasury's tax proposals will include a provision to soak in-and-out traders by prescribing special high rates for short-term holdings. Capital losses may be allowed to offset gains for a six-year period, as in British practice, so as to flatten out fluctuations caused by the bunching of all gains in certain years and of losses in others.

### Awaiting Security Fight

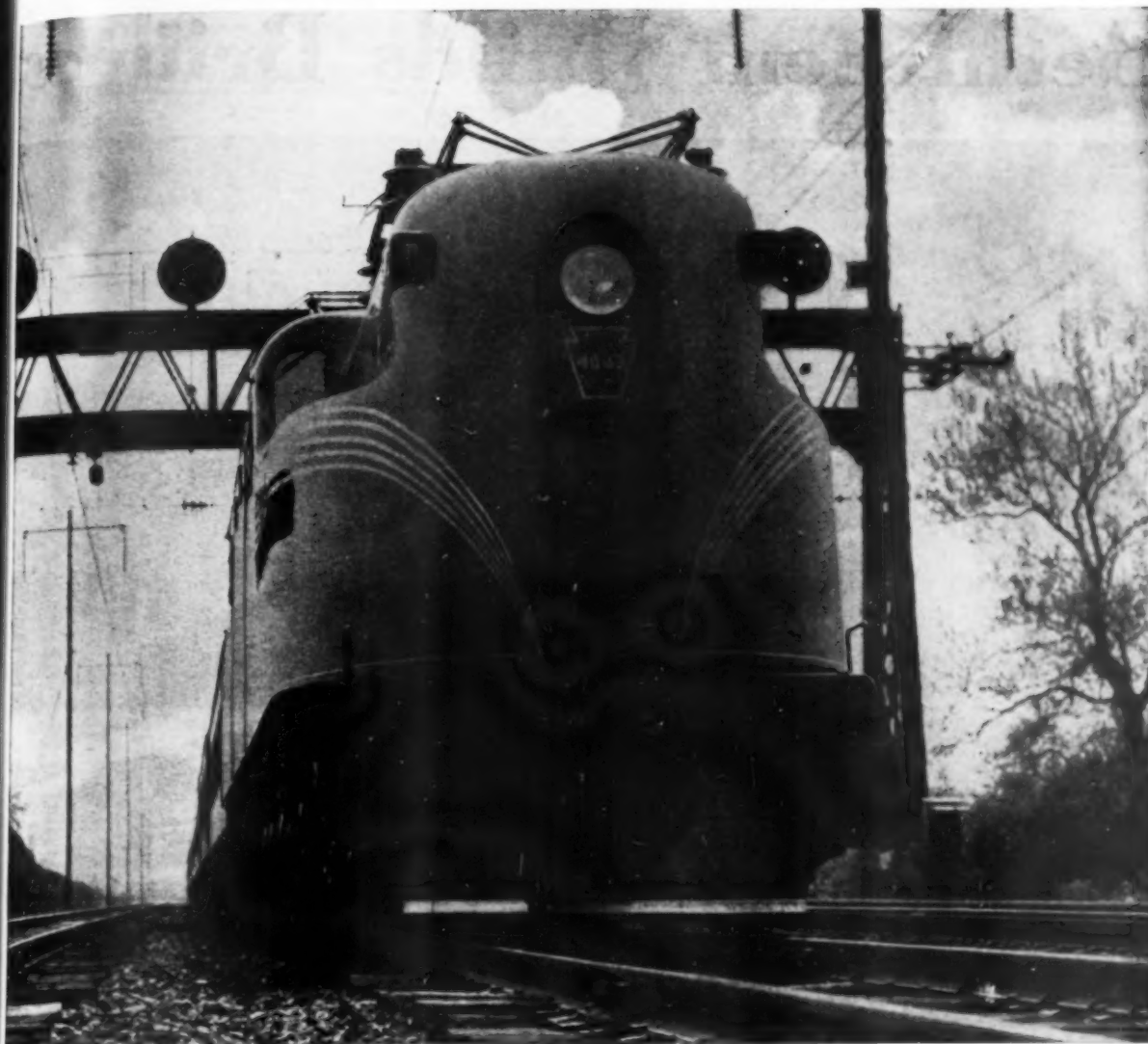
Expecting flood of injunction suits by employers who must soon dig down for social security taxes, Bureau of Internal Revenue fears that their apparent docility is lull before storm. Return blanks for employer's 1% unemployment insurance tax, due Jan. 31 on 1936 payrolls, have been out since Nov. 10. Returns for old-age tax of 1% on both employers and employees, payable Feb. 28, are not ready yet.

### Peace Must Be Policed

Real difficulty of Pan American diplomats in arriving at any understanding about fencing in this hemisphere, should another world war start in Europe, is enforcement. Whose duty would it be to stop Brazilian exporters from selling cotton to Europe for explosives? Such a question raises the problem of an international blockading force. Possibilities of dissension over enforcement, which would provide plenty of sparks on this side of Atlantic, are infinite.

### Railroads' Dilemma

Railroad labor's demand for a 6-hour day is creating an east-and-west split among railroad executives. Prepared to make other concessions to stave off the issue, managers of western roads contend that inflexible opposition, which carriers seem sure to voice before Congress, is inviting government ownership.



# RUBBER RIDES THE RAILS

## As Well As The Highways

### *A typical example of Goodrich product development*

A FEW short years ago, railroads faced a real problem. Speed was the demand of the times—but extreme train speed brought quick wear, vibration, noise.

But railroad engineers were at work. They called on the metallurgists for more alloys, and on Goodrich for new rubber properties.

Goodrich was ready. Sixty-five years of research could now be applied to railroad problems.

Rubber center plates were developed to reduce transfer of noise and vibra-

tion from trucks to body. Side-sway on curves was steadied by rubber side bearings. Special rubber strips were made to insulate cars against heat, noise and dirt. Motors and air-conditioning mechanism were mounted on rubber to isolate the body against vibration.

More recently rubber tie plates have been developed to reduce shock caused by rail joints and cross-overs.

The result of such development is the quiet, speedy train of today—rejuvenating rail travel, setting new speed records, reviving the railroads'

place in the sun. Goodrich improvements in rubber played their important part in making this modern marvel practical—just as Goodrich improvements in belting, hose and other rubber products have brought increased efficiency and greater economy to industry. The B. F. Goodrich Company, Akron, Ohio.

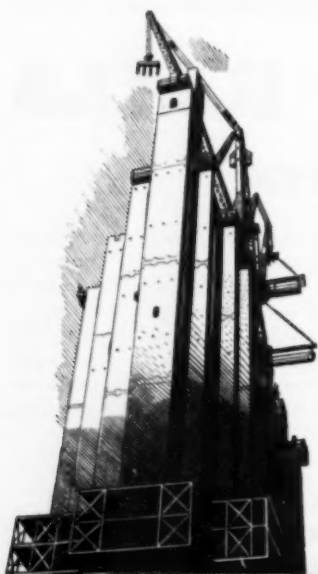
## Goodrich

ALL *products problems* IN RUBBER

# Bethlehem Builds Bridges



Bethlehem played a major part in the construction of the Triborough Bridge in New York City.



**C**ALL the roll of the bridge projects of America and Bethlehem Steel Company will answer again and again as a participant in their construction.

The George Washington Bridge, the Golden Gate Bridge, the Pulaski Skyway,—these are but examples of projects for which Bethlehem has fabricated and erected thousands of tons of steel.

Among the latest achievements is the Triborough Bridge in New York City. Here Bethlehem Steel Company supplied the steel for the Ward's and Randall's Island approach to the main span, the main and side spans of the Suspension River Crossing, the Queensborough approach and also part of the approach from the Bronx.

As the largest steel construction company in the world, Bethlehem is equipped to handle any bridge project with maximum promptness and responsibility.

**BETHLEHEM STEEL COMPANY**





# BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



## BUSINESS WEEK INDEX

Latest Week	Preceding Week	Month Ago	Year Ago	Average 1931-35
* 82.4	† 79.0	76.0	74.4	63.3

### PRODUCTION

* Steel Ingot Operation (% of capacity).....	76.6	75.9	74.0	55.7	31.5
* Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)...	\$8,608	\$8,645	\$8,549	\$7,388	\$6,057
* Bituminous Coal (daily average, 1,000 tons).....	* 1,890	† 1,676	1,663	1,500	1,309
* Electric Power (million kw.-hr.).....	2,264	2,134	2,169	1,970	1,690

### TRADE

Total Carloadings (daily average, 1,000 cars).....	130	132	136	109	160
* Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	81	82	84	70	65
* Check payments (outside N. Y. City, millions).....	\$4,612	\$4,740	\$4,358	\$4,162	\$3,251
* Money in Circulation (Wednesday series, millions).....	\$6,466	\$6,429	\$6,378	\$5,843	\$5,605

### PRICES (Average for the Week)

Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.28	\$1.23	\$1.21	\$1.09	\$ .78
Cotton (middling, New York, lb.).....	12.67¢	12.45¢	12.25¢	12.09¢	9.38¢
Iron and Steel (Steel composite, ton).....	\$34.99	\$34.79	\$34.60	\$33.30	\$30.98
Copper (electrolytic, Connecticut Valley, basis, lb.).....	10.500¢	10.500¢	10.200¢	9.250¢	7.583¢
All Commodities (Fisher's Index, 1926 = 100).....	86.7	86.0	84.7	84.6	72.5

### FINANCE

Total Federal Reserve Credit Outstanding (Wednesday series, millions)....	\$2,467	\$2,457	\$2,448	\$2,470	\$2,335
Total Loans and Investments, Fed. Res. rep't'g member banks (millions)....	\$22,459	\$22,401	\$22,446	\$20,518	\$19,417
* Commercial Loans, Federal Reserve reporting member banks (millions)....	\$5,607	\$5,580	\$5,533	\$5,010	\$5,808
Security Loans, Federal Reserve reporting member banks (millions).....	\$3,205	\$3,199	\$3,192	\$3,146	\$4,042
Brokers' Loans, Federal Reserve reporting member banks (millions).....	\$1,181	\$1,180	\$1,168	\$1,052	\$849
Stock Prices (average 100 stocks, Herald-Tribune).....	\$125.39	\$126.07	\$127.08	\$112.31	\$97.62
Bond Prices (Dow Jones, average 40 bonds).....	\$105.78	\$105.66	\$105.44	\$98.21	\$86.23
Interest Rates—Call Loans (daily av'ge, renewal) N. Y. Stock Exchange....	1%	1%	1%	¾%	1.2%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City.....	¾%	¾%	¾%	¾%	1.7%
Business Failures (Dun and Bradstreet, number).....	162	129	151	211	346

\* Factor in Business Week Index \*Preliminary †Revised

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## "TIME OUT"

Fast, high pressure, contact game that it is, football has to have its time out periods for repairing minor injuries and adjusting strategy to overcome the competition.

So, too, in these days of rapidly accelerating industrial activity, wise business men are taking time out in order that they may prepare themselves for the larger opportunities ahead. Time out to consider ways and means of manufacturing better products at lower cost and gearing up their production facilities to meet

rapidly increasing demands. In short, time out to develop strategies that will place them in an advantageous position.

Low-cost steam for power and process is an important part of this picture. Combustion Engineering equipment and experience assure the right answer to the problem of producing steam at minimum cost. Complete steam generating units in capacities from 25 hp to 1,000,000 lb. per hr. Combustion Engineering Co., Inc., 200 Madison Ave., New York, N. Y.

## COMBUSTION ENGINEERING

BOILERS • STOKERS • FURNACES • PULVERIZED FUEL SYSTEMS • HEAT RECOVERY EQUIPMENT  
FABRICATORS of PRESSURE VESSELS, TANKS, etc., WELDED or RIVETED in CARBON, ALLOY or CLAD STEELS

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# The Business Outlook

BUSINESS is again glancing toward Washington for a cue to what's ahead. This week the Supreme Court sprang a surprise when it OK'd the fair trade laws of Illinois and California providing for price maintenance on trademarked goods. This week, too, Maj. Berry held his conference without the unanimous blessings of business. The Federal Trade Commission delivered a blast against the best names in the motor industry on the charge of misrepresentation of financing costs. Just ahead looms the return of the President from his South American good-will tour and his resumption of active charge of American affairs. The shipping labor difficulty which has been dragging for more than a month should be well up front on his agenda.

## Other Washington Decisions

And Congress meets in January to consider such problems as work relief, farm relief, coal, and labor. The Interstate Commerce Commission has an important rate decision to make shortly that means a lot both with respect to railroad earnings next year and to railroad equipment companies.

## Getting Too Comfortable?

As far as business volume is concerned, the situation remains distinctly favorable except for spots affected by strikes. In fact, some quarters are beginning to feel the situation is getting too comfortable, and are urging that credit expansion controls be put into operation. Stock prices have not been insensitive to the warnings uttered. The continued flow of dividend declarations and wage increases has already been discounted.

## Steel Mills Reject Orders

Steel mills are so busy that for the first time in years they have actually rejected orders, particularly those seeking to be placed at prices in effect before the Dec. 1 boost. November daily average production set a new all-time record for the month, and came close to the all-time June 1929 high.

## Figures Should Be Higher

Weekly estimates of steel activity have been understated for the past two months, judging from the monthly tonnage reports. November's pace actually was 79% of capacity instead of hovering around 74%, likewise, the current week's figures should probably be above the 80% mark instead

## ANOTHER RECORD

*After moving within a narrow range for months, Business Week's Index of Business Activity is making a spirited finish for 1936. In two weeks, a gain of more than five points has been recorded, forcing the index into the rare atmosphere of the 80's for the first time since early 1931. At 82.4% of normal, a new high has been reached, the best in more than six years.*

of 76.6% as reported by the American Iron and Steel Institute.

## Railroads Do Their Bit

Railroad buying continues to be the feature of the market. The year's buying of freight cars is certain to exceed every year back to 1929. The 354 locomotives ordered in the first 11 months of this year are not only four times greater in number than the 83 ordered in all 1935, but greater than all locomotives ordered in the four years 1932-1935, according to *Railway Age*. Recent rail tonnage of 900,000 tons is about equal to tonnage placed in the entire first 11 months of 1936.

## Labor and Auto Production

Automobile producers breathe a little easier now that the Midland Steel strike is out of the way. But difficulties in the plate-glass industry may prove equally disrupting of assembly schedules. Last week's output was curtailed by labor difficulties among suppliers, jeopardizing the 500,000 schedule estimated for December. November's production probably reached the 400,000 mark, for manufacturers not including Ford reported as many as 337,446 vehicles shipped from factories in the United States and Canada last month. As customary when new cars are introduced, November also showed a sharp increase in sales to consumers. General Motors reports 155,552 such transactions against 44,274 the previous month. Such a total breaks all

records for November, even for January, former new-model month.

## Preparing for the Peak

Because motor companies expect 1937 to be a 5,000,000-car year at the very minimum, every effort will be made to speed up production when consumer buying reaches its spring crest. Ford is understood to have placed substantial orders for new machinery to enlarge his Rouge plant facilities from 5,200 units in 16 hours to 7,000. Observers expect to see large presses and other heavy equipment for 1938 cars placed in the next two months.

## Oil Price Boost

Oil circles were taken by surprise when Continental Oil raised crude oil prices effective Jan. 4, in order to appease producers who have been sticking closely to production quotas. While the statistical position of the oil industry is sound, as the phrase goes, most of the larger companies had not contemplated price advances just now. These companies have been slow in following Continental's move, but chances are that the new year will see higher crude prices generally in force, particularly if production is held in close conjunction with demand and not upset by having Texas, Oklahoma, and Kansas greatly exceed allowances recommended by the Bureau of Mines.

## Record Shoe Production

Shoe manufacturers face another record production year in 1936, the latter half of the year picking up sufficiently to offset the lag of the first half. First 10 months' production ran close to 6% ahead of last year, and that should mean a 405,000,000-pair total for the year. Volume manufacturers, during their convention this week, announced price boosts; they said both leather and labor costs have moved up substantially. The \$2 retail shoe for women is either on the way out for 1937, or will be a very much inferior product.

## Building Costs Rising

Construction faces higher costs next year, too. In December, *Engineering News-Record's* index based on three materials and common labor charges reached a new post-depression high at 106% of the 1926 average. This is the highest for any month back to May, 1924. Chiefly responsible for the recent rise in costs are lumber which in three successive months has increased from \$57 per 1,000 board feet to \$65, and labor whose average rate has jumped from 56.9c per hour to 58.6c. The Dec. 1 boost in steel prices rounded it out.



# DON'T LET A TRAFFIC JAM OF FIGURES HOLD UP YOUR BUSINESS

Whatever your business, figures ceaselessly come along every hour of every day. Regulate them and speed them up, for prompt, accurate figures are the very lifeblood of your business.

Ever since the first Monroe Adding-Calculator was made and sold twenty-four years ago, business has looked to Monroe to increase the output and cut the cost of business figures.

Today, Monroe offers 197 models, each desk-size, each with the famous "Velvet Touch" keyboard. There are calculators, adding-listing machines, bookkeeping machines, check writers, and check signers. And back of every Monroe is a nation-wide figure service operated through 150 Monroe-owned branches.

Ask the nearest Monroe branch to show you a "Velvet Touch" Monroe at work on your own figures. Write to us for a free copy of "Velvet Touch," a booklet that describes the expanded Monroe line. Monroe Calculating Machine Company, Inc., Orange, New Jersey.

## NEW GROUP AND GRAND TOTAL ADDING-LISTING MACHINE

Compact . . . convenient . . . with two registers, one for group totals and sub-totals, and the other for grand totals and sub-totals . . . automatic negative totals and sub-totals.



**MONROE**

DECEMBER 12, 1936

## Now They Can Fix Resale Prices

**Supreme Court's epochal decision will lead to more price laws. Manufacturers may toe the line—at first. But what of the long run?**

RESALE price maintenance for trademarked goods this week became an accomplished fact. And the suddenness, the unexpectedness, the completeness of that achievement has bewildered even those who for two decades have fought an apparently futile fight to secure price control benefits promised them by legislation of the Capper-Kelly type but threatened always by awesome Supreme Court precedents.

### Inevitable Result

The court's action this week in unanimously upholding the Illinois and California fair trade laws in all particulars was a sweeping reversal of form. What that decision means is that manufacturers of trademarked merchandise now have an unquestioned legal right under state law to sign price contracts with their dealers and to require that those contract prices be maintained within the state even by those dealers who have failed to sign such contracts. Vertical price-fixing results and although agreements between manufacturers or between retailers are specifically forbidden in the laws, an inevitable drift toward horizontal price-fixing will be hard to resist.

Such laws with minor variations are now in full force in 12 states—California, Oregon, Washington, Iowa,

Illinois, Pennsylvania, Maryland, Virginia, Ohio, Louisiana, Rhode Island, and Arizona, which enacted the measure a fortnight ago. In three other states, New York, New Jersey, and Wisconsin, the section of the law which makes prices binding on non-signers has been invalidated by the highest state courts and will necessarily remain inoperative until the former decisions have been reversed.

Hence, the first immediate effect of the court's decision this week will be a tremendous intensification of dealers' efforts to compel the use by manufacturers of the existing price control machinery in these 15 states. These laws were virtually written on the statute books and made effective by the independent retail druggists with the substantial aid of most wholesalers and a few big manufacturing houses. Lip service was all that other business, with the exception of distillers, rendered to the cause.

Early this year, the New York Court of Appeals' verdict, knocking out the non-signer clause (the really effective hook in the law which California druggists had first thought up in 1933), put a crimp in the campaign. Its leaders in state and national retail drug organizations found it difficult to persuade dealers to sign and return the price con-

tracts. Manufacturers, disappointed in the response which they received from the independents, were increasingly loath to embark on the price-maintenance course. The National Wholesale Druggists Association even discontinued its elaborate recording of who was and wasn't in the fair trade boat. (Significantly, at that time there were 10 states with fair trade laws, but 100 big drug manufacturers had issued contracts in an average of less than four states.) Enforcement activities came virtually to a standstill. The whole drive was bogging down of its own weight.

### All Different Now

Now all that is changed. Encouraged by their sweeping victory, retail druggists no longer have to be clubbed into line. They're hauling out such contracts as they had tucked into the back of the cash drawer and signing them with pleasurable alacrity. And they're asking for more. Manufacturers, they say, will toe the line—or else. In other fields where trademarked brands are popular—grocery products, hardware,



Acme Sunderland

**UP GOES THE STEEL**—John Forbes (left above) and Athol Bean, directors of the Golden Gate exposition, drive the first rivets in the steel columns rising on the man-made island out in San Francisco Bay. The new land is assuming its final shape (left) and eventually will comprise 400 acres. In the left foreground may be seen construction of ferry slips; at right is the excavation for the foundations of the \$1,600,000 administration building. In the background is the East Bay approach to the San Francisco-Oakland bridge.



tobacco, electrical supplies—dealers are beginning to voice similar demands.

This revitalized interest along a much wider front is certain to result in the enactment of a dozen or more additional fair trade laws when 34 state legislatures swing into action during the next few months. And in Washington, it will virtually insure enactment of the Tydings National Fair Trade Act which passed the Senate last year without a dissenting voice, only to die in the House Interstate and Foreign Commerce Committee.

### Three Possible Ways

This measure is designed to simplify operation of the fair trade law machinery. At present, to circumvent the Sherman anti-trust law, all contract operations are kept on a purely intra-state basis. Manufacturers can accomplish this by domesticating separately in every state, by selling on a straight consignment basis and thus maintaining title to their goods through to the point of final consumer sale, or by authorizing wholesalers in the several states to specify contract prices on their goods in the so-called omnibus contracts which such wholesalers sign with their dealers. The first approach subjects the manufacturer to a complexity of other state regulations, the second is expensive to operate, the third and most popular permits of no effective enforcement, for the manufacturer cannot intervene directly and the wholesaler's loyalties are divided. The Tydings bill would cut through this *impasse* by validating such contracts or agreements in interstate commerce as are lawful in intrastate transactions.

### Why it Might Fail

Despite the tremendous impetus given to the fair trade laws by the court decision, this pattern of price control is apt in the long run to prove unequal to the job which its sponsors expect it to accomplish. Voluntary resale price maintenance on anything like a national scale has within it the seeds of its own undoing, for the demand for it stems almost exclusively from small retailers whose existence is threatened by the cut-price merchandising operations of the large distributor.

The manufacturer, unless he elects to cast his lot wholly with one side or the other, is in reality only an interested bystander, despite the fact that it was his welfare and his right to preserve the trademark value of his goods as distinct from their straight commodity value which the Supreme Court ostensibly was seeking to protect in its epochal decision this week.

As a manufacturer, his principal interest centers in a volume of sales at a profitable level. Whether sales are restricted by price-cutting in and of it-

self, whether they are unexpended by the simple fact of stabilized prices, are questions on which the evidence is at best conflicting. What is clear to him is that cut prices hurt sales volume when they hurt a considerable proportion of his customers, stabilized prices help him when they help them.

He will go along with them on the fair trade laws or any sort of price maintenance program only so far as pressure dictates (And in the last analysis he holds the whip hand, for enforcement responsibility rests with him.) He will not be eager to negotiate and enforce such agreements when the pressure relaxes or, conversely, when the pressure becomes so great that it threatens the freedom and efficiency of his own operations, increases his sales cost, results in an uncompensated diminution in sales through large distributors, or exposes him to strong private-brand competition from that source.

It is this ultimate opposition of the

manufacturer to too much pressure on the one hand, and the sheer difficulty of maintaining that pressure at an effective level on the other hand (even among those who feel they are fighting for their very lives) that spells the doom of the fair trade laws.

Manufacturers have seen it happen before. Twenty-three years ago, New Jersey passed a law permitting a manufacturer to fix the resale price of his goods simply by attaching a notice to their goods or their containers, but after one terrific fight in which the Robert H. Ingersoll Co. won a decision upholding the law it lapsed into disuse.

So, flushed with victory and a justified service of power, the small independents are giving thought to other legislative measures, such as an outright ban on below cost sales, which will make at least some degree of price control mandatory upon manufacturers. And they are counting heavily on the sympathetic attitude which the Supreme Court has already manifest.

## Industry Looks Ahead

**National Association of Manufacturers confers on new trends, emphasizes importance of better public and labor relations in forward movement of business.**

WITH the reverberations of the election sounding in business ears, the National Association of Manufacturers met this week in New York's Waldorf-Astoria to check its compass. Temper of the gathering was to accept the responsibilities that have been placed on industry, to make any changes necessary to complete harmony with national thought and, at the same time, to develop a better public understanding of industry.

While recognizing the promise of present markets, memory of the depression nightmare was still vivid. Among leaders there was recognition of the need that industry strain every effort to prevent future disastrous recessions, or "it might not get another chance."

C. M. Chester, president of N.A.M. and chairman of General Foods Corp., went straight to the heart of the matter when he said, "Industry cannot just sit back and enjoy the fruits of prosperity. We must understand better what has been happening since 1929. Now that the course of the depression is behind us, lending itself in its entirety to analysis, it is the job for industry, general business and all affected sectors of our economic life to join in creating a national depression study committee."

Mr. Chester catalogued industry's obligations thus: (1) To continue

making better goods at lower costs, raising living standards but defending personal opportunity; (2) Put all possible employables back to work; (3) Keep its house in order under public scrutiny; (4) Oppose monopoly; (5) Engender greater confidence in workers; (6) Promote public understanding; (7) Share manufacturing proceeds fairly among workers, management, investors; (8) Help create economic security for all; (9) While accepting its responsibilities, insist that all other factors "including labor organizations" be made equally responsible; (10) Cooperate with government; (11) Join other groups in a preventive study of depressions.

### Debate on Security Act

These and other questions were covered in a set of principles adopted by the convention. Stormiest argument centered on social security. Doubts were expressed as to the Social Security Act's attaining the goal it seeks. But its broad ideals were endorsed and industry pledged itself to cooperate in making them workable. The battle here was between the still-powerful division of objectors and the element which would move into closer communion with the new federal trends.

Speeches and roundtable discussions at the N.A.M. convention displayed a

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vividness totally absent in more placid eras. There was general interest in the address of Ernest T. Weir, chairman, National Steel Corp.

Mr. Weir said that whatever is wrong with industry, industry should be the first to recognize and correct. But "Whatever is right in industrial action and policy should be retained and defended against all odds." He added, "Within industry's limits and in accordance with sound principles, industrial leadership should now attempt to constructively influence human conditions surrounding production. Industry should keep the public fully informed of its actions and policies."

### One Way to Success

This would mean that "Industry would consciously and directly attack problems whose solution had hitherto been left to chance. This attack would be conducted by thorough research and by methods of the workshop—which certainly hold more hope of success than naive attempts to bring Utopia by the writing of books or the passage of laws." Work on this job should be within the framework of our present system, without harming the efficiency of existing functions.

Charles R. Hook, president, Ameri-



Harrie & Ewing

IN WASHINGTON—Major George L. Berry, Coordinator for Industrial Cooperation, gives the cigar a rest while he chews on the problem of making this week's meeting of his Council for Industrial Progress sound like the voice of industry.

can Rolling Mill Co., spoke on the pressing importance of employee relations. His remarks had back of them 32 years of experience in employee representation. He declared that the American workman will do the right thing if given a full understanding of trouble-breeding situations.

"I have heard but few complaints," Mr. Hook said, "from the men when decisions were rendered contrary to their wishes and when at the same time they were given all the facts and told why that particular decision was necessary. On the other hand, problems of very minor consequence have resulted in ill feeling when they were not properly explained and discussed."

The national constitution was written as a definite guide to legislation and protection of individual rights; so Mr. Hook said, company policies should be reduced to writing and carefully enforced. Armco's platform covers such subjects as compensation, incentive, opportunity, working conditions, living conditions, company policies.

### Coercion Assailed

Discussing federal policies, Mr. Hook assailed the practice of restraining employers without imposing corresponding checks on labor organizations. He said that many employers "threatened by coercive pressures from organized labor, feel that they must retain, and use when necessary, their own coercive powers and must resist governmental efforts to tie their hands in conflicts with those whose hands are not tied."

Among other important addresses was that of Lewis H. Brown, president, Johns-Manville Corp. Mr. Brown saw the nation at the economic crossroads. He hoped it would keep to the American way with business and government working side by side as they did in solving war problems. The challenge, he said, was to business intelligence. He was confident that, with a full understanding of its new social responsibilities, "industry will do its full share to erect, on the ashes of the depression" a bigger and more appealing theater of national activity.

Action on new N.A.M. officers was deferred to next month's meeting of its board of directors.

## U. S. Business in War

**Army-Navy industrial mobilization plan proposes wide distribution of burdens.**

WASHINGTON (*Business Week Bureau*)—Smooth transition of industry into wartime production, with a quick return to pre-war level, avoiding the evils of overcapacity, is the main objective in



Hoffman

IN NEW YORK—C. M. Chester, president of the convening National Association of Manufacturers, urges that the voice of industry be raised to tell industry's story to the public "constructively and continuously . . . for public misunderstanding of industry can ruin the nation."

the Army-Navy industrial mobilization plan, as revised. Lighter burdens will be laid on more producers instead of heavy demands on a few as in the last war. In general, not more than 50% of capacity will be asked of manufacturers.

The wider spread is being planned by examining facilities for production of finished goods, raw materials, and services. Not all firms will be put on the roster—only those who can qualify. About 12,000 names now slide out of steel files for ready reference at the touch of a finger.

### Coffee in Class of Own

Only goods and materials that are affected by war conditions will be subject to immediate controls which include price-fixing, commandeering, power to buy and sell, priority, etc. Most foods, for example, are not included; they will be bought as usual on the open market. But coffee is expected to be "under complete control."

The plan evolved from hindsight studies by the War Policies Commission in 1931 was revised in 1933, and now calls for a much stronger legislative framework than existed during the World War.

# Diesels Hit Their Stride

**Sales make big jump in '36 and may do better next year, largely because of lightweight, high-speed engines. Auto industry is a future market.**

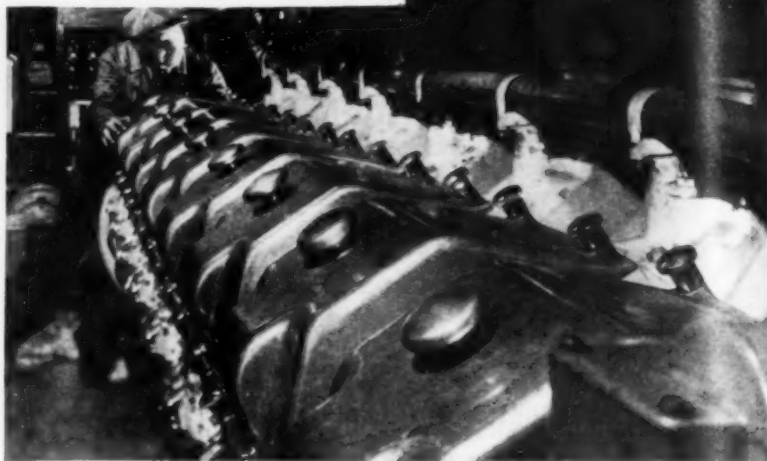
DIESEL engine builders, having celebrated last week the 40th anniversary of the introduction of diesel power in the United States, are on their way to a new and more prominent place in industry's sun.

Diesel sales have shown a big growth this year compared with last, according to a *Business Week* survey. They were about 1,200,000 hp. in 1935 and have jumped to two million in '36. One company says its volume is up 52%, another reports business 2½ times that in '35, a third asserts its horsepower output has increased 104%. Caterpillar Tractor Co. has produced well over 10,000 diesel engines the past year. Over a month ago the 20,000th diesel came off its assembly lines.

Next year will be even better, conclude the diesel engine people in appraising their market. One company looks for a 100% gain. A leader in the light diesel field thinks it will triple its production. A builder specializing in large diesels conservatively estimates the coming year will be one-third better than this year.

## Lighter and Speedier

Development of lightweight high-speed engines has given diesels their best sales push lately and will be responsible for greatest strides in the next few years. It used to be that diesel engines weighed as much as 250 lb. per hp. (compared with 12 lb. for an automobile gas engine). Now they are



Small Engine

down to 17 lb. per hp., and engines close in weight to automobile gasoline engines have been produced.

Largest single use today for diesels, based on horsepower, probably still is in the marine field for powering yachts, passenger ships, freighters, tugs, trawlers, tankers, and ferries. Portable applications—for farm tractors, road construction and maintenance equipment, construction and contractors' machinery (cranes, dredges, graders, shovels, air compressors), trucks and buses—take large numbers of the diesel engines manufactured today.

Heavy diesels are employed in public utilities, municipal lighting plants, waterworks, mines, ice plants, irrigation

and draining projects, cotton gin equipment, petroleum manufacture. More publicized use has been to provide motive power for famed streamline trains such as the Burlington Zephyrs, which have Winton engines. On the basis of number of units produced, more diesels today probably are going to power tractors than for any other purpose; Caterpillar, International Harvester, Waukesha and Allis Chalmers are the leaders.

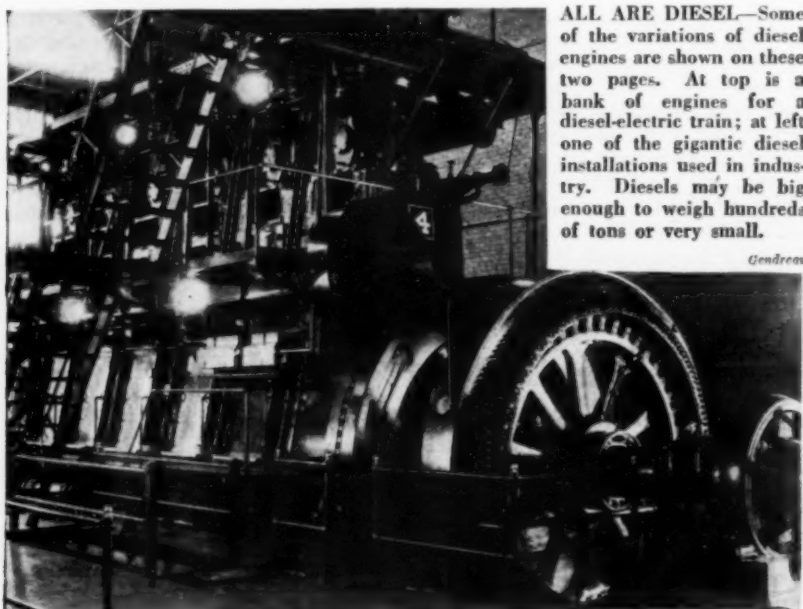
Biggest market ahead appears to be in the automobile industry, particularly for trucks and buses. One authority declares it probable that within five years the diesel horsepower installations in the automotive field will exceed those in any other.

## Why Diesels Advance

Diesel's big talking point is economy of operation. Purchase price is still high compared with gasoline engines, although prices have come down. A diesel engine will do twice as much work on a gallon of fuel as a gasoline engine on a gallon of gasoline. At the same time, fuel oil can be bought at one-fourth to one-third the cost of gasoline.

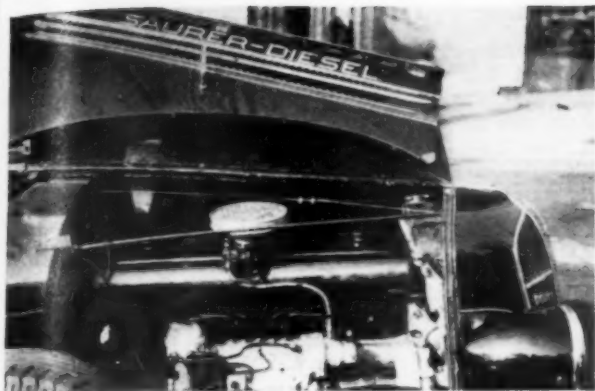
However, the biggest reason for the lower cost of a diesel engine is not because it burns a cheaper fuel, but because it obtains more useful work from the fuel. Incidentally, diesels do not as a rule burn crude oil. They require a petroleum fuel oil held to specifications comparable to those for automotive gasoline. The fuel oil used today is much the same as that for household oil burners.

The fuel injection system is sometimes called the heart of a diesel en-



**ALL ARE DIESEL**—Some of the variations of diesel engines are shown on these two pages. At top is a bank of engines for a diesel-electric train; at left one of the gigantic diesel installations used in industry. Diesels may be big enough to weigh hundreds of tons or very small.

Gendreau



**BRAINS APPLIED TO POWER**—Rudolf Diesel patented his economical engine in 1892; and for years it was used principally in heavy land or water power plants. Then engineers went to work in earnest on it, and in the past decade its progress has been rapid. A diesel six-cylinder, four-cycle motor, with double

valves, has been built in Switzerland for automobiles (left, in Dodge car) and diesels are being turned out by the thousands for tractors (right, Caterpillar being used for road work, powered by diesel).

Harris & Ewing

engine. Better fuel injection, resulting in better maneuverability, lately has helped sell diesels.

Other important improvements are lighter weight, better materials, less vibration, better balance, insuring longer life, and more efficient performance. Some manufacturers have adopted automotive methods and materials. Diesel parts and assemblies are produced with far more precision than the industry ever has known before.

Keenest public interest lies in diesel-powered trucks and buses. Cummins Engine Co. has pioneered in the truck field and has been successful in selling diesel-powered trucks, especially for heavy-duty long-haul work on the Pacific Coast. Consolidated Freight Lines of Portland, Ore., has in service 105 diesel trucks, Pacific Freight Lines of Los Angeles 111, Transamerican Freight Lines of Detroit 75. Altogether, about 2,500 diesel trucks are believed in operation in this country at the present time.

Waukesha Motor Co., which builds Diesels for trucks and buses, believes use of Diesels to power heavy-duty trucks will continue to expand unless State legislation is extended prohibiting 30,000 to 60,000 lb. gross load operations.

### Trucks Turn to Diesel

Recently Diamond T announced the first lightweight high-speed diesel trucks to be put into production, powered by Hercules six-cylinder motors. Cummins expects to have on the market early in '37 small four- and six-cylinder diesels suitable for use in approximately 50% of trucks in service, thus opening up bigger markets. One diesel maker claims it is now possible to operate a light diesel truck economically in city pick-up work, driving as little as 25 to 30 miles a day, the fuel saving making the investment profitable. Chrysler is known to have a small diesel for truck use in the final development stage, having

spent recent months putting it through rigorous road tests.

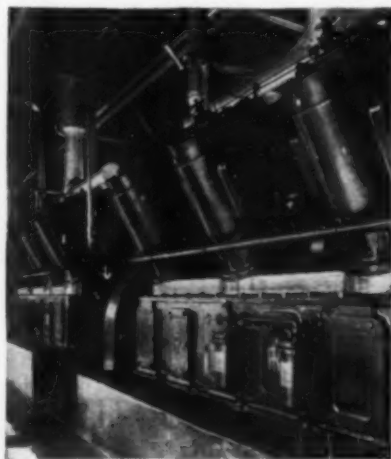
The truck world isn't going to be dieselized overnight. There still are some problems to be licked. Millions have been spent to get an automotive type of diesel which will burn fuel cleaner and will accelerate as satisfactorily as a gas engine. One baffling task is to build a diesel engine which will stand up nearly so long as the gasoline engine without overhauling. The reason is that much higher compression ratios of diesels put far greater wear and tear on engine parts, such as pistons and bearings. Improved design and specification of tough alloy metals, however, are helping to lengthen diesel life.

Companies specializing in automotive diesels are finding it no mean task to educate the public not only to want a diesel engine, but also how to operate and care for it. One company remarks that "problems of sales, manufacture, and distribution of the diesel engine are not the same as similar problems for the gasoline engine." The time when diesels will begin to make a big splurge in the truck field will come with their introduction by any of the Big

Three—Ford, General Motors, or Chrysler. That day may not be so far distant.

### Tractor Buyers Want It

Rapid growth of diesel sales has meant considerable expansion of plant capacity by diesel builders. Caterpillar has made large capital outlays for new productive machinery and has installed a new power conveyor line for assembly at all diesels except its large V-eight, which has a new assembly line of its own. Caterpillar finds that nine out of ten tractor buyers are willing to pay the extra cost of a diesel as against a gasoline-engined unit. Fairbanks Morse & Co., reported supplying more heavy-duty diesels in the municipal field than any other company, has increased its diesel capacity at its Beloit, Wis., plant. Cummins built a large addition to its Columbus, Ind., plant about a year ago



Snyder-Triangle

**BIG AND LITTLE**—At left is a view of a modern compressor plant at Kettleman Hills, Calif., showing one phase of heavy diesel installation. Above: little cousin of the great marine engines which are used at sea; this one is a Superior diesel, adapted to use in a "taxi" motor boat used by sightseers on the West Coast.





**ALL HONOR TO DIESEL**—At a memorial dinner to Rudolf Diesel last week, in connection with the A.S.M.E. meeting, the diesel engine was the real guest of honor. Prominent among the guests were Robert H. Morse, president of Fairbanks-Morse (top); B. C. Heacock, president of Caterpillar Co., and Gar Wood (center, above); Edward G. Budd, president of Budd Mfg. Co., and C. L. Cummins, president of Cummins Engine Co. (lower picture, above). Poring over model diesels was another group (right) of manufacturers, all prominently engaged in exploring the possibilities of diesel power; from left: Edward B. Pollister, president of Busch-Sulzer Bros.; R. B. Terhune, of Caterpillar; Henry Sutphen, president New London Co.; George Codrington, president Winston Engine Co.

and is starting a second addition. Hill Diesel Engine Co. has revamped its Lansing, Mich., plant and has three times its former capacity. Atlas Imperial Diesel Engine Co. has set up a plant at Mattoon, Ill., for construction of smaller-size diesels. National Superior has spent money for new machinery and more capacity at its Superior Engine Division at Springfield, O.; its Eastern division, the Otto Engine Works at Philadelphia, has been retooled and reequipped to make a line of lightweight high-speed engines for industrial and marine service.

Only a small percentage of diesels built in the United States are for export. Heavy-duty diesels cannot compete in price with the European. Because of the high price of gasoline, most trucks and buses in Europe are dieselized, as well as many passenger cars. American-built tractors with diesel engines are popular abroad in opening virgin land for tillage and in sugar cane fields requiring heavy plowing.

#### Tax Problem Foreseen

The industry isn't too worried over the hampering effect of taxes which state legislatures may slap on fuel oil as diesel truck sales grow. Even if oil costs rise to the height of gasoline prices, diesels still can be run at half the expense of gasoline engines because they get twice the mileage per gallon. If taxes should become threatening, they may be more than offset by the increased volume of automotive diesels which will result in lower manufacturing expense and in considerably lower diesel prices. Diesel builders, in fact, admit that reasonable taxation is to be expected (but insist it be no more than the taxation on gasoline). They are convinced that the diesel process inherent

economy is sufficient to overcome any reasonable taxation, that development of a rich market cannot be held back.

#### "Certified Quality"

**Marshall Field & Co. tries out new plan that is expected to help spring promotions.**

To style appeal, service, and guaranteed consumer satisfaction which have long been watchwords of its selling activities, Marshall Field & Co.'s manufacturing division now adds the "Fieldcrest Certified Quality Plan." First on 17 major lines which account for approximately 30% of the average retail store's volume and are strategically important in early spring promotions, later on its entire production output, Field's will place quality labels, providing specific information in terms of established standards about serviceability of goods.

Concerning the Fieldcrest Golden Gate sheets, for example, the labels describe how they are "woven with 140 threads per square inch (standard 68x72 utility grade) muslin sheeting," how they will withstand a 75-pound pull, exceeding U. S. government specifications by 5 lb., how they are made of strong durable fabric weighing 5.3 ounces per square yard (4.7 ounces is average).

#### "More Facts for Customers"

The merchandising material which Field's has sent to its retail customers lays stress on the purpose of the plan "to establish more profitable sales for you . . . by giving your customers what they are demanding today . . . more facts about the merchandise they buy."



For cost-cutting efficiency in handling figure work

**"FIRST: 'COMPTOMETERS'..."**  
**says this General Electric Division**



"There are several definite reasons why we are able to turn out a large daily volume of figure work in our Statistical Department," states Mr. A. H. Stricker, General Electric Company, Nela Park, Cleveland, Ohio.

**"First:** modern, high-speed 'Comptometers' (Electric Model K and Standard Model J) are used on all kinds of figure work—profit and loss statements, balance sheets, unit costs, general statistical work.

**"Second:** pleasant working conditions. Proper lighting designed for easy seeing speeds up the work, lessens errors, fatigue, eye-strain, and headaches, because Better Light means Better Sight. Posture chairs, slotted 'Comptometer' desks, good ventilation—all contribute to the efficiency of the department.

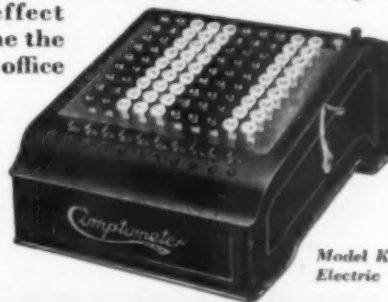
**"Third:** careful planning and routing of work through the department. This eliminates confusion, cuts handling costs, avoids duplication of work.

**"Fourth:** we find the 'Comptometer' Peg-Board extremely helpful in consolidating various divisional

reports. The Peg-Board utilizes original figures contained on the reports, thereby enabling us to obtain consolidated statements without posting to intermediate records."

"Comptometers" have solved the figure-work problems of thousands of other large and small concerns. Their speed . . . accuracy . . . economy . . . and extreme flexibility play a vital role in the efficient conduct of modern business.

For an analysis of the savings which "Comptometers" can effect for you, telephone the "Comptometer" office in your locality. Or write direct to Felt & Tarrant Mfg. Co., 1733 N. Paulina Street, Chicago, Illinois.



# COMPTOMETER

Reg. U. S. Pat. Off.

## Revival of Building

**Price projects come back fast, especially in commercial and factory construction.**

OUTSTANDING characteristics of 1936 heavy engineering construction activity has been the revival of private building. Compared with the boom days of the late twenties, the 30% contribution total of private projects to total construction still looks pretty small, but compared with the situation in 1934 when private projects were almost totally eclipsed by public undertakings there has been substantial improvement. Next year, with even a modest 20% increase in the total construction to around the \$3,000,000,000 mark, private construction confidently looks forward to accounting for at least 50%.

### Chart Shows Trend

Since these computations are based solely on the construction records of *Engineering News-Record* which exclude small residential projects and deal more particularly with the larger engineering undertakings, the share of private construction in the total picture is likely to be understated in the accompanying chart. But the trend is toward less public participation and more private expansion in construction.

Particularly important in this revival of private interests in construction are commercial and factory building activity. In the first 11 months of 1936 the first has gained 138% over the comparable months of 1935 and the latter nearly 59%. The rapid approach of the winter season has put no crimp in the pressure for additional commercial and industrial space. Contracts let in the past two weeks make it probable that a total of commercial building for this year will reach \$275,000,000, while factory construction will approach \$300,000,000. In 1937, it would not be surprising to find both of these classifications running up a total of \$400,000,000.

The chart on Page 21 brings out some interesting aspects of building operations in these two fields. Both reached their peak in 1929. In fact, it would seem that builders of factory space were notoriously obvious of any business cycle, for in the past three decades they built the largest volume of additional space on the very eve of the time when the need therefor was disappearing. Perhaps commercial building activity would show a similar situation, but figures are lacking to make any positive statement.

When prices were low and labor plentiful as in 1932 and 1933, private builders were vainly beseeching indus-

try to prepare for the morrow by planning new construction in advance of need. A glance at the chart shows how miserably they failed to awaken any response. Now that prices are back to the 1929 level and labor is less tractable and in many localities even scarce, industry has suddenly become conscious of the need or desirability of more space or extensive modernization of the old. Hence the third upward swing in factory construction since 1913 is now well under way. Important contributors to this year's increase in factory construction are the steel, motor, textile, food, process, and aviation industries.

### More Office Space Needed

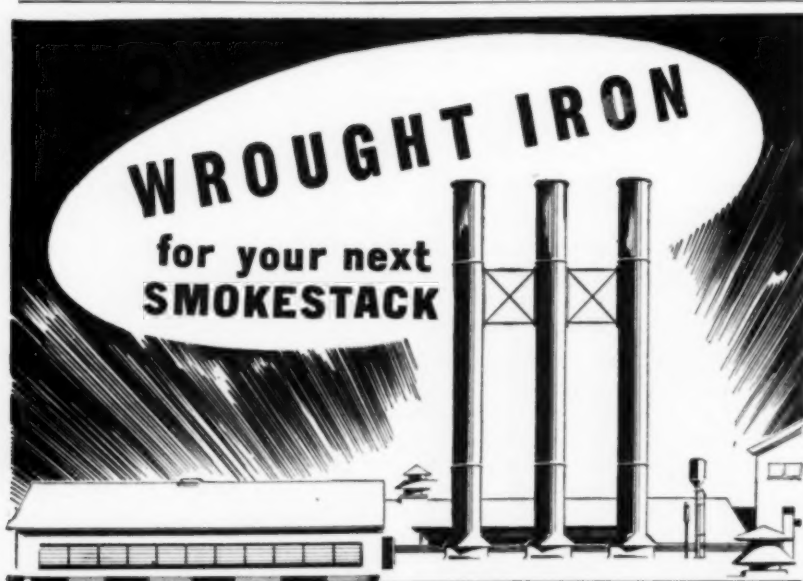
Commercial construction as listed by *Engineering News-Record* covers such diversified lines as apartment houses, hotels, large-scale home-building developments, office buildings, and theaters. In 1929 this field was twice as important in dollar volume as industrial building, but because this field leans heavily on the welfare of the average consumer and the distributor of goods and services, it dropped more precipitously from the 1929 peak and has lagged in the recent come-back. Speculative building of apartments and homes, however, and the declining availability of desirable office space is putting new life in this field, making its immediate future even more bright than its companion.

### Rural Lines Built

EIGHT thousand miles of rural electric power lines will have been built by the Rural Electrification Administration by the end of the year. This marks the actual progress made on its New Deal rural electrification program. Up to the end of October \$35,578,178 had been allocated to finance 32,000 miles of authorized construction. And \$2,725,062 had been paid out so far.

Cost figures have just become available on projects in 18 states totaling \$5,290,872. The actual contracts covering this work have been distributed as follows:

State	Miles	Customers	Cost
Alabama .....	51.4	238	\$43,390
Florida .....	66.3	267	62,900
Georgia .....	102.5	350	82,442
Idaho .....	40.	250	41,244
Illinois .....	70.	173	49,396
Indiana .....	569.	1,185	481,594
Iowa .....	277.6	547	304,508
Kentucky .....	12.6	77	12,227
Minnesota .....	518.4	1,757	463,005
Mississippi .....	55.	300	66,741
Nebraska .....	1030.8	2,816	901,457
North Carolina .....	77.	220	70,610
Pennsylvania .....	128.	623	114,079
Ohio .....	1496.	5,990	1,426,994
South Carolina .....	375.	1,431	272,292
Virginia .....	318.	930	270,023
Wisconsin .....	561.	1,477	375,376
Texas .....	361.	1,200	252,596
	6,109.6	20,481	\$5,290,872



**F**LUE gas service is corrosive. Commonly-used ferrous metals average 6 to 8 years. Wrought iron averages over 30 years in smokestacks. Also it requires less maintenance, takes and retains a better, more adherent, coat of paint.

**BYERS** Wrought iron does

not embrittle due to sway motion. Tell your engineers to write for "The Use of Wrought Iron in Flue Gas Conductors" and for cooperation in analyzing corrosive trouble in your plant. A. M. Byers Company. Established 1864. Pittsburgh, Boston, New York, Philadelphia, Washington, Chicago, St. Louis, Houston.

**GENUINE WROUGHT IRON TUBULAR AND FLAT ROLLED PRODUCTS**

Specify Byers Genuine Wrought Iron Pipe for corrosive services and Byers Steel Pipe for your other requirements

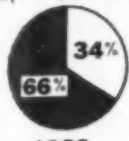


# BUSINESS BUILDS AGAIN

## PRIVATE BUILDING — PAST, PRESENT, FUTURE

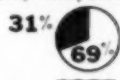
How the share of private building varies

\$3,950,315,000



1929

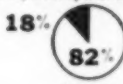
\$1,068,369,000



1933

Private ● Public

\$1,360,596,000



1934

\$2,488,586,000



1936\*

Dollar figures represent total contracts

\$3,000,000,000

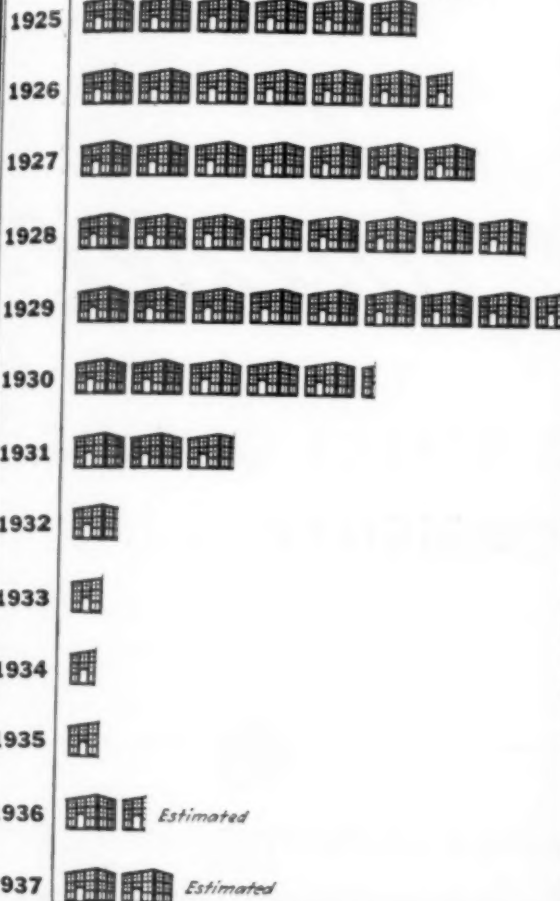


1937\*

\*Estimated

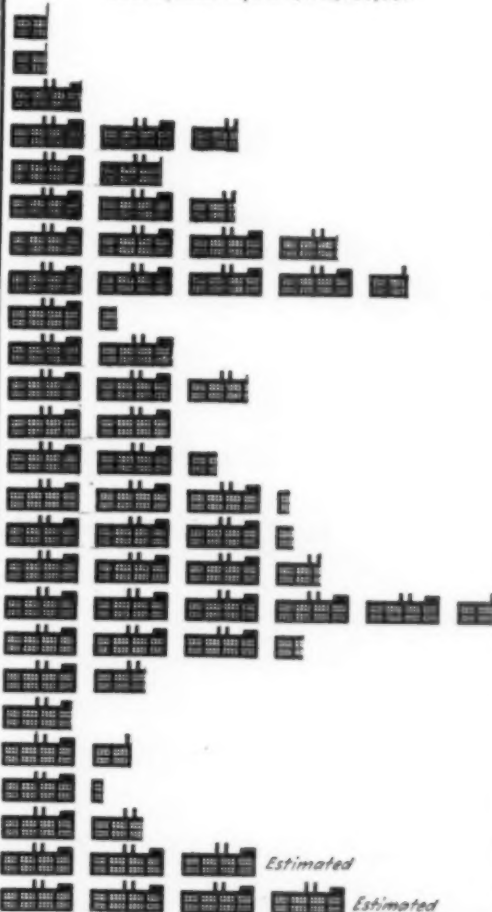
### COMMERCIAL BUILDING HAS BIG BACKLOG

Each symbol equals \$200,000,000



### THREE ERAS OF FACTORY BUILDING

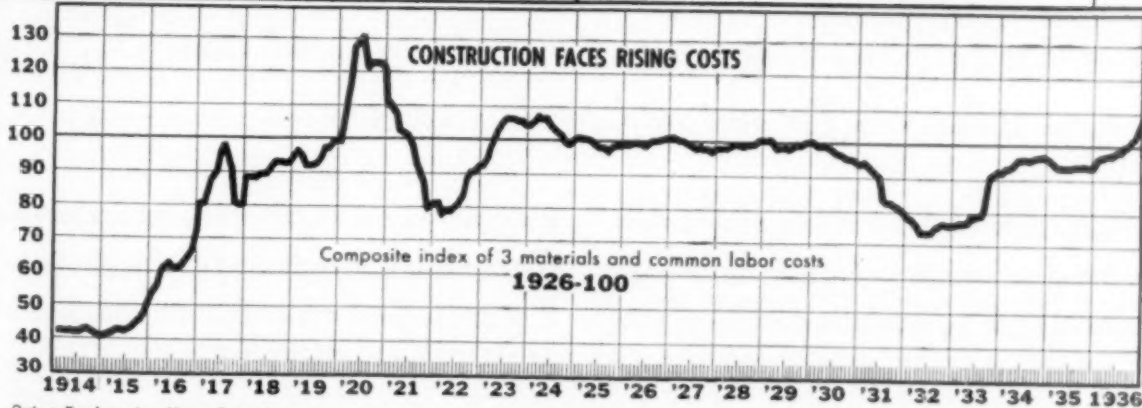
Each symbol equals \$100,000,000



1913  
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1934  
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1936  
1937

### CONSTRUCTION FACES RISING COSTS

Composite index of 3 materials and common labor costs  
1926-100



Data: Engineering News-Record

© BUSINESS WEEK



# Who can foresee

## THE FAR REACHING EFFECT OF THIS NEW DEVELOPMENT?

*EVERY DECADE or so, a revolutionary engineering idea is born that completely changes accepted theories and practices. An idea that makes long established procedures obsolete and wasteful; that sets new standards for cost and product uniformity.*

**A** development of this fundamental importance has now been successfully introduced in the field of full automatic control of production processes.

**F**or years past, industry has used devices and instruments for regulating each separate step in a production cycle. But the coordination of these steps in their relation to one another,

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which is so essential to consistently uniform results, has been largely dependent upon the experience, judgment and skill of the individual in charge. Any error in judgment, any oversight, any momentary carelessness is sure to be reflected in a defective product.



This element of chance, ever present where supervision is subject to the uncertainties of manual manipulations, is now, for the first time, definitely eliminated by Bristol's System of Coordinated Process Control. A new trend in industry, this system automatically operates under plant conditions a whole industrial process and thereby facilitates production and insures a uniform product. It is extremely flexible — being applicable in an almost infinite variety of combinations to a great diversification of processes and industries.



The superior accuracy and economy of Bristol's System of Coordinated Process Control are being demonstrated in many plants, including those where production processes formerly were conducted and controlled by the best methods and highest standards previously known.

For example, one plant reports that "Bristol's System of Coordinated Process Control increased production 100% without additional labor or working overtime."

Another says, "With the plant operating at its rated capacity ... the net profit will be sufficient to pay for the complete installation in considerably less than one year."

A third finds "Tensile strength (of product) was increased 17%."

From another user,—"The distinctive feature of this plant is completely automatic operation and control. The attendant starts up the apparatus at the beginning of the day and turns it off at the end of the shift in the evening. During the operating period—no attendance is required."

According to still another user, Bristol's System of Coordinated Process Control helps shorten the time of one operation from 168 hours to a half hour!

And so it goes!



Every business executive, every engineer, faced with the desire or the need to maintain the highest degree of uniformity in order to meet today's exacting product specifications, should be thoroughly informed on this new development, especially as it applies to his own business. This is easily done. Write for our illustrated descriptive Bulletin No. 460-K "Bristol's System of Coordinated Process Control". Or, if you desire, we will be glad to have one of our engineers discuss your particular production problems with you.

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11 Bridge Street, Waterbury, Connecticut. Branch Offices: Akron, Birmingham, Boston, Chicago, Detroit, Los Angeles, New York, Philadelphia, Pittsburgh, St. Louis, San Francisco, Seattle. Canada: The Bristol Company of Canada, Limited, Toronto, Ontario. England: Bristol's Instrument Company, Limited, London, N.W. 10



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Development

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**for Unusually High Temperatures**

**HIGHHEAT 47** is a new Wilco thermostatic bi-metal offering greater strength, greater sensitivity and greater resistance to deterioration at unusually high temperatures.

Wilco's development of Highheat 47 makes home appliances more sensitive, more dependable. Its greater strength and highly non-corrosive properties make it adaptable to many unusual industrial purposes.

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105 CHESTNUT STREET, NEWARK, N. J. BRANCH OFFICES: CHICAGO, ILL. - SEAFORD, WICH.  
Refiners and Workers of Platinum, Gold and Silver - Precious Metal Centers - Weld Thermometals

**WILCO**

Dept. 104 for sample, stating conditions of use, and thickness desired; also "Blue Book of Thermometals" which describes Wilco Thermometals and gives valuable data on thermometal formulae. Take advantage, too, of the engineering skill and experience that Wilco—as the largest producer of thermostatic bi-metals for the competitive market—places at your disposal.

Wilco engineers know thermostatic metals. For more than 22 years they have worked with industrial leaders of the world in adapting bi-metals to commercial use. Unbiased advice—offered without obligation.

## 350 successful sales letters!

Do you need a letter that will "break the ice" for your salesman?—to solicit new charge accounts?—that will get immediate business on a one-shot appeal? You can get such sales letters and many more—letters that have worked for firms in many different lines—all in this book, with comments on their special features, costs, pulling percentages, etc.

**Just Published**

### Tested Sales Letters

By **HERBERT H. PALMER**

Associate Professor of Business English and Advertising,  
Syracuse University

530 pages, 6x9, \$5.00

**THIS** book gives 350 actual letters, classified according to purpose, and discusses their features, how they worked, etc. It emphasizes homely, practical letters that work; it minimizes theory. It shows how these tested letters may be used as guides by executives, copy-writers and sales correspondents in other lines of business. One idea, one letter, from this treasury of actual sales letters and mailing campaigns may be worth thousands of dollars to you or your firm.

#### You will want to look up—

- the letter that has sold a million dollars worth of merchandise
- the letter that produced 25,000 four-dollar orders
- the letter that sold 9 automobiles out of a mailing list of 400
- the three letters that revived 43% of a store's inactive accounts
- the letter that pulled 20% inquiries
- etc., etc.

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Send me Palmer's Tested Sales Letters for 10 days' examination on approval. In 10 days I will send \$5.00 plus few cents postage, or return book postpaid. (Postage paid on orders accompanied by remittance.)

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(Books sent on approval in U. S. and Canada only.)



## Loosing RFC Yoke

**Continental Illinois bank is getting contract that frees it of special restrictions.**

CONTINENTAL Illinois National Bank & Trust Co. of Chicago is about to be removed from the Reconstruction Finance Corp. "problem child" group and accorded the same contractual relationship enjoyed by virtually all other banks which have sold preferred stock to the RFC.

Indication of the change in status was given last week in notices sent by the bank to stockholders advising them that certain changes in the articles of association would be voted upon at the meeting of shareholders Jan. 8. These changes, it was revealed, will make more binding the new contract between the bank and the RFC. The new contract would abolish the right of the RFC to control compensation, and selection of official personnel and of the directorate.

### La Salle St. Remembers

In that connection, La Salle Street recalls the situation which arose when the time came to name a new Continental board chairman to succeed Stanley Field, who resigned when he was indicted in connection with the Insull debacle.

George A. Ranney, former executive of International Harvester Co. and present chairman of the board of Peoples Gas Light & Coke Co., was reported in authoritative quarters to be the choice of Continental directors, although he then was a director of the First National Bank of Chicago.

Official replies to questions were evasive and the Continental board was in an embarrassing position when newspapers published Washington dispatches saying that the RFC had picked Walter J. Cummings, head of the Federal Deposit Insurance Corp., as successor to Mr. Field. Eventually this selection was confirmed and approved by Continental directors.

### Sold as Suggested

Meanwhile Continental had sold \$50,000,000 of 5% preferred stock to the RFC, being the first major financial institution to carry out the emphatic suggestion of the government that capital be expanded in this manner. This added capital was obtained by signing the strict contract now on the verge of being amended.

With Mr. Cummings' appointment so obviously at the dictation of the RFC, the Chicago financial community now is beginning to speculate upon the fate of some of present officials when the bank finally shakes off all trace of RFC yokes.

Dividend rate on the RFC preferred

stock has been reduced to 3 from the original 5%, and the difference under the terms of the new contract between Continental and the RFC must be set aside as an additional preferred stock retirement fund. Last June the bank retired \$5,000,000 of RFC stock, and directors in January will vote to call in an additional block.

When the stock was retired in June, common capital shares were increased by \$5,000,000 through declaration of a 20% stock dividend. Expansion of

common capital, under new RFC contract terms, will continue to pace the retirement of preferred until the former is increased by \$20,000,000 to \$50,000,000, when further expansion will be at the option of bank directors.

Should Continental fail to pay two semi-annual dividends on the preferred stock, the RFC contract now in the process of amendment would again become operative with all restrictions which have been in effect for the last three years.

## Resist FTC on Time Payments

**Automobile manufacturers and finance companies oppose Trade Commission and declare it confuses instalment charges with interest rates.**

THE somewhat threadbare argument that instalment-payment charges are interest rates is in again. This time the Federal Trade Commission has raised the question by issuing complaints against 21 motor-car manufacturers and four finance companies handling automobile time-sales contracts.

### Biggest in the Field

These complaints are of unusual interest for several reasons: (1) FTC accused the companies in strong words (the words were stronger in the press release than in the complaints themselves) of misleading the public with terms such as "6% Plan" whereas charges actually figure out at about 12%; (2) the complaints are based on finance charges which, instituted a year ago, cut substantially the cost to the public; (3) the companies ceased advertising 6% plans months ago; (4) the list of motor-car companies accused reads like a bluebook of the industry; (5) the finance companies named are the big four of the business, doing annual volume of about half a billion in this field.

While the discussion has just been called to public attention, it appears that it has been going on for more than three months. First the FTC offered a stipulation (a stipulation, in effect, is an agreement as to what the respondents cannot do) to the 25 manufacturers and finance companies. This stipulation, the companies felt, embodied a confession of guilt. They could not see that they had anything to confess, having at the outset cut charges and then having explained in their advertising that the 6% was not simple interest.

### Court Rulings Cited

A second FTC implication which the respondents felt they could not accept was that the finance charge should be represented as a simple interest rate.

The companies pointed to a long list of court decisions, going right up to the Supreme Court, holding that such charges are not in any sense interest but rather a business arrangement, a part of the terms of sale.

A group of the respondents got together, after conferences with FTC in September, and prepared a stipulation which they would be willing to sign. Therein it was agreed that none of the parties would advertise a 6% charge without setting forth just what that 6% represented. General Motors and subsidiaries, acting separately, filed a brief outlining their belief that their course had been completely blameless, and that, consequently, there were no reasonable grounds for issuance of a stipulation.

The stipulation submitted by the group (which included Chrysler and subsidiaries, Ford, Graham-Paige, Hudson, Nash, Packard, Reo, Studebaker, Commercial Credit, Commercial Investment Trust, and Universal Credit) recently was rejected by FTC and the complaints followed. The next step will be hearings before the commission, to begin Jan. 8.

### Answers are Ready

How the respondents will testify can be gathered from public statements made in the last few days as well as the wording of briefs submitted. They certainly will contend that finance charges are not interest in a legal sense. And they will, no doubt, point out that the whole argument is academic inasmuch as the advertising questioned has been discontinued.

Motor-car manufacturers now advertise that buyers of their automobiles may take advantage of So-and-So's Budget Plan or This-and-That Easy Payment Plan. There is no mention of 6%.

FTC already has been told, and will be told again, that there was no intent

## FINANCE RAW MATERIALS or FINISHED PRODUCTS right where they are

It is not necessary to move your goods to secure Warehouse Receipts for use as collateral; "Terminal" brings the Public Warehouse to the goods right where they are.

This method of inventory financing is being used extensively by manufacturers and merchants everywhere because it is economical and convenient and does not interfere with normal business procedure.

This  
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STREET .....  
CITY ..... STATE.....

★ **TERMINAL** ★  
**WAREHOUSE COMPANY**  
270 Eleventh Ave., New York City  
Chicago, Philadelphia, Boston, Buffalo



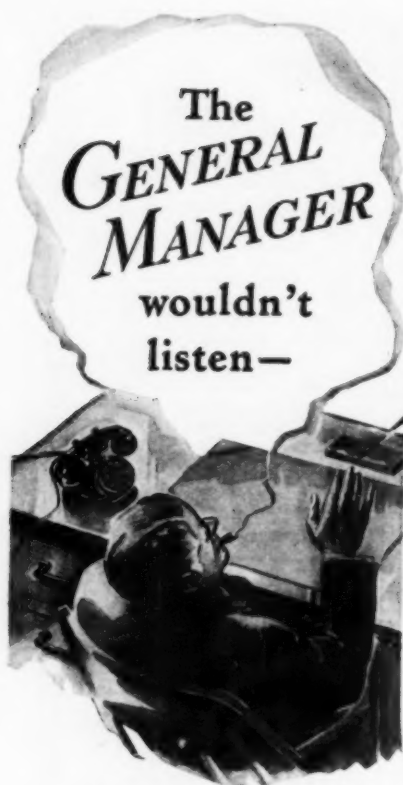
• This tag says in effect: "Found by test to comply with I. E. S. specifications . . . Electrical Testing Laboratories".

## TESTED AND TAGGED ..they built a new market

• Important factor in the amazing success of I. E. S. Better Sight Lamps is definite and higher standards, in lighting performance and in mechanical and electrical construction . . . preserved by E. T. L. test.

Performance facts certified by E. T. L. are convincing sales tools and sound buying information. We've been providing them for over thirty-nine years. Write for our new booklet, "Fact is Sounder than Fiction," which explains our service.

 **ELECTRICAL  
TESTING  
LABORATORIES**  
80th Street and East End Avenue  
New York, N. Y.



—until customers  
began to complain

HE THOUGHT his old-fashioned containers were good enough—but his customers didn't. They were receiving products which had deteriorated in storage and transit.

The loss of customers due to faulty containers is stopped when you ship in Bemis Waterproof Bags. They provide that all-important margin of safety—complete protection against sifting, odor, dust, and loss or gain of moisture.

Your product comes through in factory-perfect condition, building customer confidence and profitable repeat business.

There is a type of Bemis Waterproof Bag for every industry. They provide any degree of protection required. And users profit by important savings in original cost, freight, handling, storage, and labeling.

It will cost you nothing to investigate Bemis Waterproof Bags, and it may solve your shipping problem. Write for further information on the application of these up-to-date containers to your particular industry.

**BEMIS BRO. BAG CO.**

403 Poplar St.  
St. Louis, Mo.

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to deceive the public. As General Motors' president, Alfred P. Sloan, points out, he sent a message to stockholders saying that "this 6% flat multiplier is not 6% interest" and in

G.M.A.C. advertising "the greatest care has been exercised" to prevent "the possible assumption on the part of some purchasers that the 6% meant 6% true interest."

## Texas Turmoil

**By increasing her oil production, the Lone Star State upsets her neighbors and raises questions on the future of the Interstate Compact.**

RECENT upheavals in the stormy Mid-Continent oil sector have shaken crude production figures and raised doubts as to the ultimate fate of the Interstate Oil Compact. This treaty (*BW*—Sep-21'35, p.25) was the barrier which the worried states-rights boys used to head off the onslaught of the federal conservationists led by Interior Secretary Ickes, former NRA oil dictator.

The U. S. law blessing this petroleum entente expires next Sept. 1. Congress at its approaching session probably will be called on for an extension or a substitute. Mr. Ickes has always hooted at the compact idea, calling it a pale and puny thing, foredoomed to oblivion. So long as the states demonstrate their ability to control production, the Ickes battalion can be held. Trouble among the compacters is an invitation for opponents to attack.

There were audible rumblings last week. Texas, because of vast actual and potential production, dominates the Mid-Continent picture. Its influence prevented the compact agreement from including price controls, and held its restrictions to physical waste. Texas and other states gear their production to estimates of the U. S. Bureau of Mines. On Nov. 27 Texas announced in effect that it had thrown the bureau's figures out of the window, at least as far as December production was concerned.

### Rumblings of Discontent

The allowable for December crude was highest in Texas' history, 1,201,670 bbl. daily. This is 56,470 bbl. above the daily average advised by the bureau. Oklahoma and Kansas (in the compact with Texas) made immediate and anguished protest. Why should their producers be held to Bureau of Mines limitations while Texas granted itself higher output and greater income?

There was talk of Oklahoma and Kansas kicking over the traces. Since these three states produce about 65% of the nation's crude, a runaway might have put the compact into the ditch. The Bureau of Mines (which is in Mr. Ickes' Interior Department) observed solemnly that it was without authority save to recommend, and expressed gratification for past cooperation of compacting states. Texas' Railroad Commission (pe-

troleum authority) protested that it was driven to raise its allowables by pressure of its producers, that the increase was justified because the Bureau of Mines had underestimated requirements. An Associated Press dispatch reported at this juncture that Mr. Ickes was ready with a comprehensive petroleum bill, all set for submission to Congress.

Officials of Texas, Oklahoma, and Kansas went into a hasty huddle. Result was the announcement that the three had agreed to work in "harmony and accord" but the terms were not disclosed. Thus the Big Three seem to have formed a compact within the Interstate Compact. What the other states in the larger agreement (Colorado, Illinois, New Mexico) think of the tri-state hook-up is left to the imagination. They certainly won't sacrifice production for the benefit of the Big Three. Still



**NOT YET SUPER**—WJZ, key station for NBC's Blue Network, is putting its new 640-antenna into service, and thereby increases efficiency, say engineers, to equal power of 110,000 watts. Its request to jump its power from 50,000 to 500,000 watts is still under consideration by the Federal Communications Commission, but the new tower is a sign of conviction that the days of "super-power" are near.



less likely are the non-compact states of California and Louisiana to honor the Bureau of Mines recommendations in the face of defections therefrom.

With a session of Congress less than a month away, states-righters are praying that the compact can be preserved. Pressure has been relieved somewhat by an increase in crude prices which gives some producers a larger income and softens demands for higher output.

On Dec. 4 Continental Oil (big independent) announced a 17¢ per bbl. rise in 40 gravity crude to \$1.35 a bbl. Effective date is Jan. 4. Other independents followed the move and majors are expected to. This is the first rise in crude prices since Jan. 9. An increase has long been discussed but Continental's move was a surprise. So was its effective date. Usually price changes are sudden. The interim will give the industry time to make adjustments and consider the adequacy of the advance.

#### War Forecast

A statement by Dan Moran, Continental president, said, "A war among producers is imminent unless fair recognition is given their continued adherence to reduced allowances. The producer must have higher allowables or higher prices. We elected to take the latter course."

Statistically, the industry's goose hangs high. Stocks of crude are at a 14-year low, about 290,000,000 bbl. This is in spite of an all-time high in production for the year, estimated at 1,095,000,000 bbl. The figure tops the previous peak (1929) by 8½%. Back of this is a record consumption of gasoline which is put at about 475,000,000 bbl. for 1936.

Stocks of gasoline, while increased by heavy runs of crude necessary for production of fuel oil demand, are not worrisome. On Nov. 28, gasoline stocks stood at 57,500,000 bbl. which is some 5,000,000 bbl. over the corresponding date of last year. Stocks needed by Apr. 1 will be about 70,000,000 bbl.

#### Fewer Dry Wells

Less comforting are the figures on drilling. For the first nine months of this year, 18,518 wells were completed, with a probable figure for the year of about 24,000. The nine-month figure is greater than the entire year of 1924 and is much higher than the same period of 1935. This year's total of dry wells is 3½% lower than last year, indicating increased drilling in known pools. Here is a boost to total output since new wells must have their production allotments.

All in all the states have shown a surprising effectiveness in keeping crude production in line. It would be just too bad for the states-righters if the shooting started as a lop-sided Congress started its sessions.



## FINGER-TIP CLUES

FOLLOW UP these clues and you will find witnesses who can testify to the perfect elevator service. They are the passengers of elevators run by Finger-Tip Control.

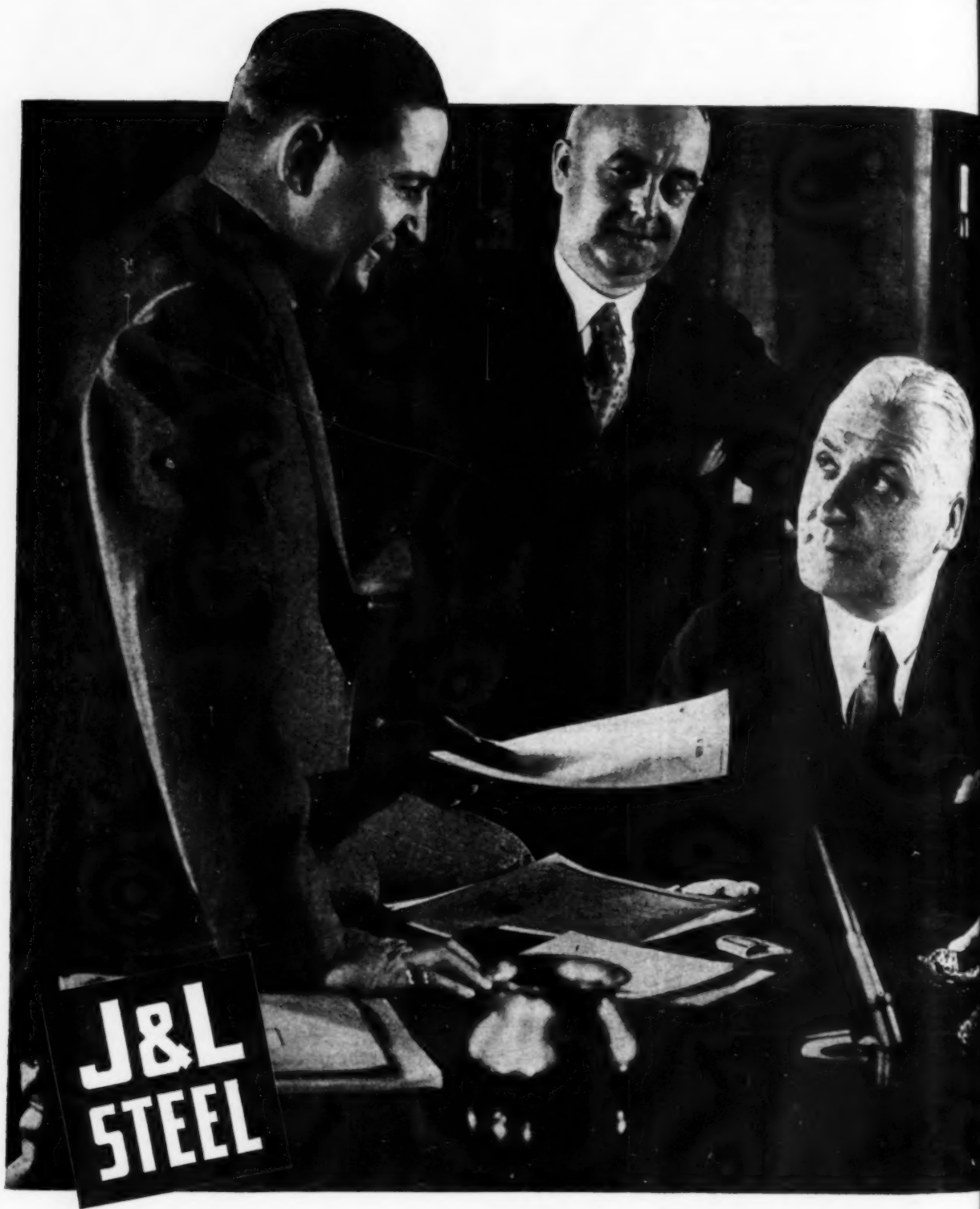
They are people from all walks of life—from all strata of business and social activity, as they mingle for a moment before the elevator door and in the car. Their fingers touch a button and the electrical impulse speeds the message to automatic directing and control mechanism. The Finger-Tip elevator serves them all and all alike. It can't forget or dilly-dally by the wayside. It only knows one type of service—the best.

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improved the quality of our product—and  
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These extra profit-values are the direct result of the uniform high quality built into J & L steel products at the mill. This uniform high quality, in turn, results from:

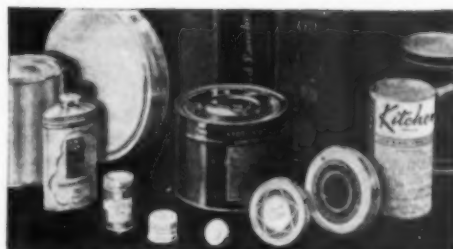
1. Strict metallurgical control of every manufacturing process from iron ore to finished product.
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Standardize on J & L steel products. It will pay you—in lower manufacturing costs, increased production, and an improvement in the quality and salability of your product.



**J & L Steel Is Checked for Proper Temperature**  
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# Shipping Strike Costly

**West Coast business estimates month's decline in trade at \$175,500,000. Fear expressed that foreign customers may shift orders to other countries.**

SAN FRANCISCO (*Business Week Bureau*)—Pacific Coast business, paying the bill for the first month of the maritime strike, finds that it totals \$175,500,000 in direct losses and many more millions in indirect damage to all forms of trade and industry, a Coastwide survey by *Business Week* indicates.

The San Francisco Bay Area, hardest hit because it is the center of the turmoil and has felt most severely the effects of the maritime unions' "march inland," paid about \$90,000,000. Los Angeles paid close to \$75,000,000. Seattle and Portland together paid another \$10,500,000. The two Northwest cities jointly paid the price of the strike's damage to lumber and flour mills of Washington and Oregon.

## Other Losses Pile Up

To these figures must be added incalculable losses due to factory shutdowns for lack of raw materials, a gradual decline in retail trade, losses to importers and exporters (many of the latter group say they are losing some of their foreign markets permanently), reductions in office, store and factory personnel, damages to agriculture and the general attitude of uncertainty.

The San Francisco Bay Area, including Oakland, is taking a loss of about \$3,000,000 a day. As the maritime strike went into the second month, the area also had on its hands a warehouse tieup (part of the "march inland") involving 28 cold-storage, public and milling warehouses with 850 men idle, a strike in the bag manufacturing industry by 550 workers in four plants, a shutdown in the shipyards by 2,500 workers in 14 crafts and minor tieups in the furniture, battery and rubber industries involving about 700 men.

## Workers Hard Hit

Seattle, feeling the blows of the maritime strike chiefly in connection with the Northwest lumber companies, reports 43 lumber mills shut down entirely and others on half or part time. Production losses for the industry during the first month of the strike were set at 179,000,000 ft. with a sales value of \$2,650,000. Approximately 17,500 lumber workers are hard hit, 12,000 of them being unemployed and the remainder on part time. Payroll losses in the lumber industry, causing Portland and Seattle business men much grief, are accumulating at the rate of \$380,000 a week, and the total loss in wages during the first month of the strike came to \$1,718,000. Seattle also lost

\$35,000 a day usually spent by shipping concerns for supplies and wages to longshoremen. Portland had a similar loss.

Flour mills have laid off more than 2,200 men in Washington and Oregon with a daily payroll loss of \$13,000. Trucking in and out of Seattle is down 50%. Retail trade has been better than during the same period last year but is down as the result of the strike and is decreasing further as unemployment mounts. While September retail trade was 20% over last year, October increase was down to 9% and November figures will begin to show the effect of the strike in earnest.

Portland shared with Seattle the losses from conditions in the lumber industry and the flour mills. Portland reports supplies of grain sold prior to the strike and now on hand to be 2,

000,000 bushels with foreign buyers turning to the Argentine and Australia. Frozen assets in the Portland area are estimated by local authorities at \$22,000,000. Due to the holiday trade, most Portland retail establishments report business improved over a year ago, but the increase would have been far greater except for the strike. One large grocery chain reports sales have dropped 30% in areas where unemployed live.

## Truck Lines Hampered

Los Angeles appears to have weathered the storm so far in better shape than the other Coast cities, insofar as factory shutdowns are concerned. Authorities there report that, to the best of their knowledge, no plants have been completely closed although some have had to curtail operations. Raw materials and finished products, they claim, are "finding new and temporary channels" in the face of the waterfront shutdown, but at great additional expense. Aside from the port tieup, the chief difficulty in Los Angeles has come from the attempt by labor affiliated with the maritime group to interfere with the operation of common carrier truck

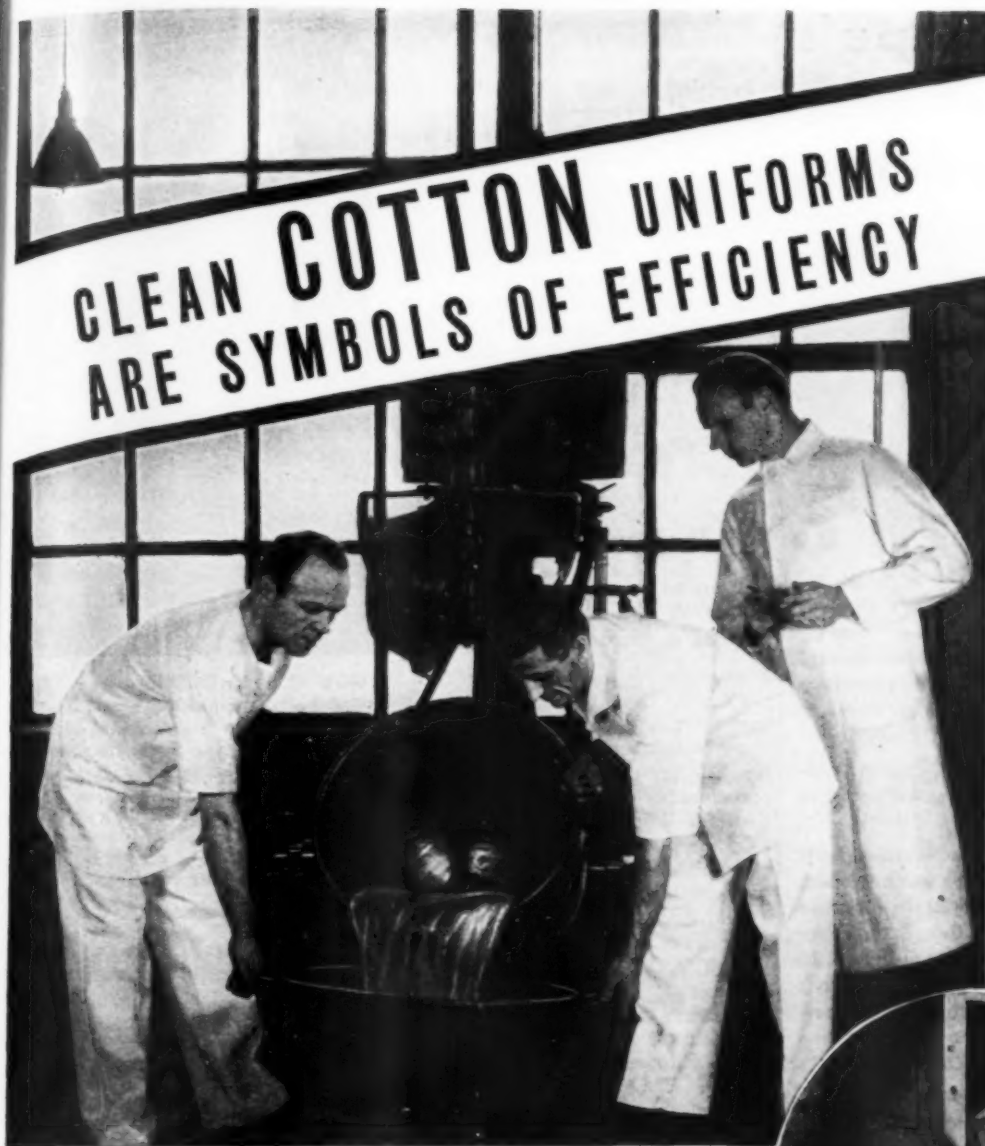


Wide World Photo

**A THOUSAND MILES APART, BUT—**Labor in many lines is organizing, asking a share in increased profits, demanding better working conditions. Longshoremen and sailors (Boston strikers, above) have brought about the most serious strike; other shutdowns have been settled without prolonged dislocations of normal business (Midland Steel Products workers, below, going back to work after wage increases).



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For quick thorough, sanitary and economical\* drying, there is no substitute for cotton towels. Fairfax towels and toweling, such as the continuous cabinet crash shown here are standard for industrial use, just as Martex bath towels are standard in the finest homes and hotels.

\* Recent testimony before a government department at Washington, D. C., by a representative of a nationwide research organization, showed the average person uses 2.43 paper towels for each drying.

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## TRADE FAIRS

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lines by stopping trucks on the highway and attempting to compel drivers to become union members.

Exporters up and down the Coast were greatly disturbed this week by a growing number of cables from customers in China and the South Seas, purchasers of raw materials, declaring their intention to buy in Japan and Australia hereafter.

Meanwhile, the ever-active Harry Bridges has been busy in a public relations drive intended to dramatize labor's side of the argument. Flying from San Francisco to Portland and Seattle last week, he organized and carried through parades and mass meetings there, and returned to San Francisco to stage a similar demonstration.

## No Railroad Feast

**Famine is over, but American Car & Foundry report indicates a cautious outlook.**

THIS week the management of American Car & Foundry Co. sent out a report to stockholders. There was nothing exceptional about it. The mammoth freight car manufacturer simply reported what it was expected to report. Earnings were up. That the earnings were the first since 1931, however, was noteworthy and typical of the railroad equipment industry as a whole.

The days of famine are past. The days of feast are yet to come. Yet, though A.C.F. was doing better, the management thought it wise to defer declaration of a dividend until results for the fiscal year, ended Apr. 30, come closer and thereby become more trustworthy. Thus, early next year a dividend may be voted on the preferred stock. Since the senior shares are non-cumulative and since the undistributed earnings tax does not affect the company this calendar year, there is no need for haste.

### Cars Wearing Out

The turnaround in railroading this year has had a galvanic effect on the car producers. Freights, locomotives, and passenger cars have been in demand. For a very simple reason. Rolling stock was worn and obsolete. And when carloadings began shooting up to 700,000 per week and finally shot into the 800,000 per week zone, four confidence-propping facts emerged:

First, that earnings of the class I carriers for 1937 would reach \$120,000,000 (BW—Oct 10 '36, p20), the first profit since 1931 that wasn't small enough to squeeze through a keyhole.

Second, that there was anything but an abundance of rolling stock—in fact, shortages popped out here and there during the peak delivery season in



HOW AM I DOIN'? — Harry Bridges (left) makes a quick jump to Seattle, to see how the boys are coming along with the shipping strike there. He spends most of his time in San Francisco, but his control has been unbroken in the other large cities of the West Coast, and one way he builds up prestige among workers in other parts of the country is by frequent trips to talk to them face to face.

September and October (BW—Oct 24 '36, p18).

Third, that the death of American railroading had been prematurely ceremonialized by many economists.

Fourth, that equipment purchases would continue heavy into 1937 to meet expected freight requirements.

Just how pressed the railroads were for rolling stock this year is indicated by orders. Even conservative estimates for locomotives, freights, and passenger cars show an overtopping of 1935 by wide margins, viz:

Class	Estimated 1936 Orders	Actual 1935 Orders
Freights .....	45,000	18,699
Locomotives .....	400	85
Passenger Cars ...	250	65

As the result of this rush of buying, railroads have re-entered the market for equipment trust certificates. Next year, the financial houses which specialized in this type of security (and which led a more or less moribund existence during 1931-1935) ought to be busy. Yet the situation is not entirely clear-cut. The railroads, though they are in the money, are not out of their customary trouble with the Interstate Commerce Commission. Rate problems—the traditional rail bugaboo—are bothersome once again.

By limitation, the freight surcharges expire Dec. 31. On the basis of present



traffic, these out-of-the-ordinary tolls mean \$100,000,000 to the railroads. If they are allowed to lapse by ICC inaction, then the probable profit in 1937 will be missing, or nearly so. Moreover, the car manufacturers, now rubbing their hands in anticipation of large orders, will cease rubbing and start wringing.

Obviously, the railroads will have to halt their buying spree if the money isn't in the till. Their ability to borrow would be impaired by the decimation of profits—even if they were inclined to borrow. At first, the ICC was adamant in its attitude toward making rate adjustments. When the rails first appealed for an extension, the commission was every bit cold as an English butler.

#### Attitudes Change

Then, the railroads asked permission to revise their rate structures as a whole in order to increase revenues about \$50,000,000—or approximately half of what the surcharges would amount to. The ICC put it down for a hearing early next year. And that would mean that a decision—at the speediest—would not be forthcoming until March or April. Lately, the ICC has been less stony. Reports are current in Washington that some temporary extension



Wide World

**HIS TURN WILL COME**—While George A. Ball, Muncie, Ind., glass-jar maker, was vague on details before the Senate Committee on Interstate Commerce this week, Herbert Fitzpatrick (above) became president of Mid-America Corp., following the death of O. P. Van Sweringen. Though Ball owns 90 per cent of Mid-America stock, Fitzpatrick, after 10 years' experience as the Van Sweringen counsel, knows more intimately the curves and angles of the rail empire.



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As you can see, the cost of one such breakdown may run into thousands of dollars before wheels start turning again. Hours of work lost...products spoiled in process...delayed output...broken delivery promises...just figure out the totals yourself!

Breakdowns are just one way in which deficient, obsolete electric circuits permit dollars to fly out the window. There are other ways. Oftentimes, plants lose money from antiquated circuits and don't know it. Power vanishes in the form of heat losses. Maintenance and repair bills are

higher than they should be. Insurance rates are excessive.

## 9 out of 10 factories need circuits modernized

Estimates show that 9 out of 10 plants are paying needless penalties from failure to modernize circuits. How about your plant? Now is the time to check up. To make it easy for you to check your plant's circuits, we have prepared a Wiring Survey. With this handy volume, the job can be undertaken by your own electrical engineer, industrial consultant, or electrical contractor.

Write for a copy. If you have a specific problem, put it up to our engineering department. We will cooperate without obligation.



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of the surcharges may be granted, pending the hearings.

In any event, it seems to be a safe bet that 1937 will be a profitable year, though whether it will be as juicy as 1936 depends entirely on whether upward rate revisions are instituted. Nor is that all there is to the railroad headache. A bloc in Congress is touting for a six-hour day for railroad labor, with out a corresponding reduction in weekly pay. Add to that Railroad Retirement Act burdens, and the railroad plight becomes more complex. But it is not an entirely unhappy one.

Financially, the roads are getting back on their feet. Many companies now in receivership will be reorganized in 1937, and the Reconstruction Finance Corp. is being paid off (BW—Jul 25 '36, p17). On the last day of last month New York Central was the 25th road to get out of RFC pawn. Of \$717,000,000 RFC advances to railroads, only \$412,000,000 (owed by 55 roads) remains to be paid.

## Glycerine Shortage

**Use in plastics and anti-freeze is hit by limited supply.**

SHORTAGE of glycerine is worrying some of the plastic people as well as bothering the anti-freeze trade (BW—Nov 28 '36, p5). Their one hope for relief in the plastic field is that all anti-freeze marketing of glycerine will be abandoned. Other plastic makers, using raw materials that are not by-products of limited supply, of course, are not in trouble.

The Glycerine Producers Association has hesitated to take this step and shut off the anti-freeze supply, even though the market has not been particularly profitable. It has wanted to hold its position on the chance of needing this as a "surplus" outlet in the future.

However, imports from foreign countries have been restricted because Europe is apparently building up reserves as part of military and industrial preparedness. And the soap industry here can turn out only so much glycerine as a by-product, unless America will kindly oblige by washing its face oftener. So there is not enough to go around.

## Buses Gain Despite Rail Cut

BUSINESS in the bus industry has increased in spite of the lower rail fares, according to *Bus Transportation's* analysis for the first nine months of 1936.

Passenger revenues per road mile, in intercity operations, for the nine months were 3% better than a year ago. City operations were 16.09% better. City and suburban, on the other hand, decreased 6.7%.

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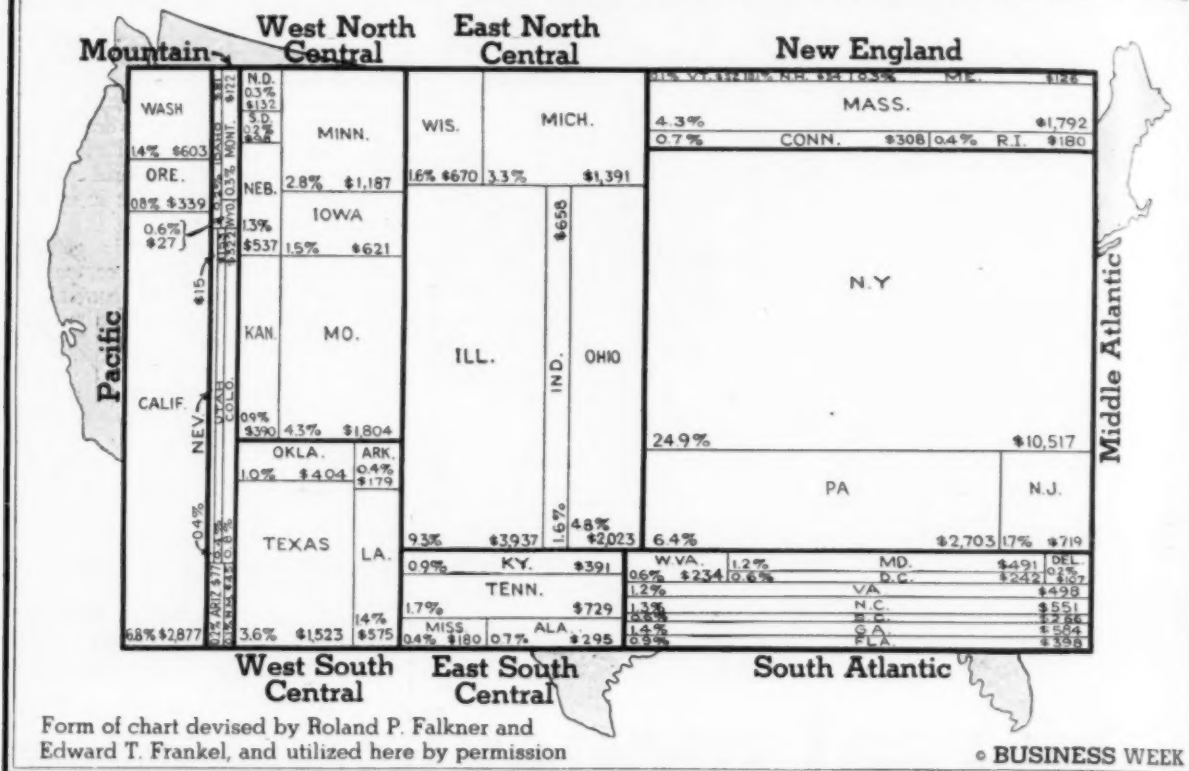
DECEMBER 12, 1936



## HOW THE STATES SHARED IN 1935 WHOLESALE TRADE

Based on preliminary census returns

Left hand figure: Percent of U.S. wholesale trade of \$42,203,815,000 Right hand figure: Sales in millions



**BIG AND SMALL WHOLESALE MARKETS**—Here is a companion piece to the distortion map on retail trade presented in *Business Week* recently (Oct. 31, 1936, p. 32). It portrays the relative importance of each state in the national wholesale pic-

ture when the area of each state is made proportional to sales volume. The dominant position of New York state is obvious, with 24.9% of the nation's wholesale business. It did only 14% of the nation's retail business however, in the same period.

Meanwhile operating expense, per bus owned, increased 7.26% for inter-city buses, 4.69% for city buses, and 3.27% for city and suburban.

### Wholesale Gains

**41% increase in wholesalers' business in two years. More establishments than in '29.**

LAST year the country's 176,062 wholesalers did a volume of business amounting to \$42,203,815,000, according to the third biennial census just released by the Department of Commerce. This means 41% more volume than in 1933 but it falls short of 1929 by almost the same percentage—37%.

The shrinkage in the number of establishments between 1929 and 1933 was surprisingly small, and by 1935 had even surpassed the 1929 mark by 4%. Proprietors actively engaged in the wholesale business have steadily increased since 1929 until last year the 97,165 so occupied topped 1929 by 7%. But while more proprietors have resumed active control of affairs, the

number of employees, both full and part time, fell 14% short of 1929. As in manufacturing industries, payrolls have expanded faster than employment because employees were transferred from part-time jobs to full time jobs as soon as business expanded. Consequently, while employment rose only 7% between 1933 and 1935 to 1,274,508, pay-rolls jumped 23% to \$2,049,251,000. Payrolls in 1935 were 31% smaller than 1929.

The increase in payrolls accounted for 69% of the increase in the cost of doing business which in the two year interval rose 16%. Because sales expanded so much faster than expenses, however, operating expenses per dollar of sale dropped from 11.9¢ to 9.8¢. Stocks of goods on hand rose only 7% between 1933 and 1935, and were 38% below 1929, indicating little accumulation of inventory.

Confusion often arises because the volume of wholesale business as reported by the census always exceeds the volume of retail business reported, instead of the other way around. This arises from the fact that wholesalers are not exclusively engaged in selling

to retail establishments; in fact, sell only about half their goods through these channels. The rest represents sales of raw materials and capital goods to industry, as well as sales between wholesalers and for export. In fact, the 41% increase in wholesale trade between 1933 and 1935 against the 31% increase in retail trade is due in large part to increased wholesale sale to industry of capital goods.

### Bulk of Trade in 13 Cities

The distortion chart on this page pictures the distribution of the wholesale market by states, indicating clearly the key states. On a city basis, some 13 cities with a population of 500,000 or more account for 51% of all wholesale trade. New York ranks first with 22%; Chicago follows with a total of 8%. Others in order of rank are Boston, Philadelphia, San Francisco, Detroit, Los Angeles, St. Louis, Pittsburgh, Cleveland, Baltimore, Buffalo, and Milwaukee. Of these, Detroit revealed the sharpest improvement over 1933—64%—reflecting largely the revival of the motor industry. Los Angeles came next with 49%.

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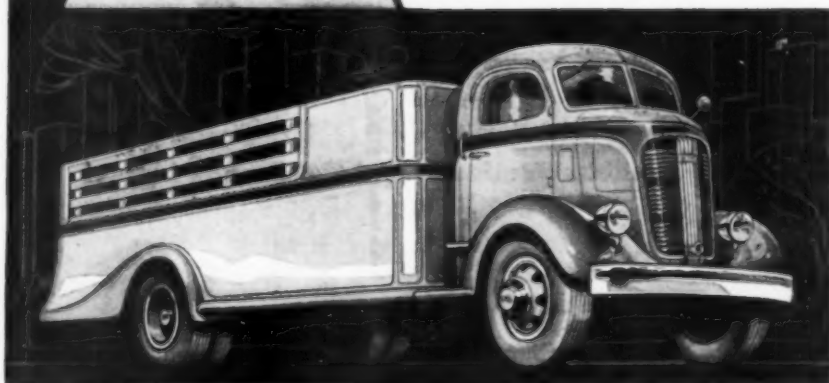
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Modern-To-The-Minute Design Ranging  
In Capacity From 1½ To 12 Tons

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In every capacity range from  
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Time payments through our  
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## ONE CHILD . . . or THREE ADULTS . . .



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GUARDSMAN  
Model 2242  
Price \$13.50

Inadequate or improperly controlled light is a contributing cause. Good light generally aids defective eyes even more than it helps normal ones, for adequate illumination partially substitutes for the focusing action of the eye, thus aiding us to see clearly with a minimum of focusing effort.

FARIES GUARDSMAN LAMP ASSURES PROPER ILLUMINATION! Because of its scientific design it sheds an even restful light...free from glare or shadow...a light closely approaching daylight in texture. Let the GUARDSMAN protect your eyesight; see this lamp today at your dealers, if he cannot supply you please write us.

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Few of us realize what a great difference even five or ten dollars a week can make in the lives of the aged.

Money they can call their very own can mean more to a dependent father or mother than the most lavish support which doesn't include this important item.

A small investment in a John Hancock Annuity, giving them an income as long as they live, can change their whole outlook on life.

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Please send me your booklet, "Money For All Your Tomorrows."

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B. W. 12-38

## Canada-British Pact

**Dominion speeds up negotiations; new trade treaty will be effective before June.**

OTTAWA (*Business Week Bureau*)—Washington's policy of making all haste to break down trade barriers is paralleled by Canada's course in working out a necessary revision of the 1932 trade pact with Great Britain six months ahead of time. Time originally set for the conclusion of the new agreement was next June, following the coronation (if there is a coronation then); the agreement will actually be ready by the end of the year.

### Why Ottawa Acted

Ottawa bargained more shrewdly at the empire conference in 1932 than did the London delegates. Canadian exports to Britain far outstripped the gains the British made in Canadian markets. While welcoming the larger market in Britain, Canadians realize that London could not extend the treaty without receiving fresh concessions in Canada. Ottawa has taken action ahead of time to prove its goodwill.

The new pact is in the form of a revision of the 1932 pact, and it can be taken for granted that it is not prejudicial to the Canadian-American reciprocity treaty nor to the position of either party in the new negotiations for an Anglo-American treaty. There has been no chiselling by Ottawa on concessions granted the United States a year ago. Also, despite the concessions Britain still allows to Canada, Britain will still be able to offer the United States substantial preferences over the terms allowed to foreign countries that do not sign trade treaties with her. The Anglo-American treaty comes up for negotiation in the next few months.

Canada keeps the 6% British preference on wheat, and preferences on butter, cheese, eggs, fruit, condensed milk, copper, fish, asbestos, and tobacco, as well as generous quotas on ham and bacon. Canada did not expect to have these concessions materially increased

and is willing to pay to have them retained.

Payment will be in the form of easier entry into Canada of such British products as textiles (mainly cottons), machinery, and other steel goods. Increased preferences on cottons and steel goods will place British exporters on a better competitive basis in relation to Canadian manufacturers rather than in relation to Americans exporting into Canada under the reciprocity treaty.

Canadian manufacturers secured retention of substantial protection against Great Britain under the 1932 pact by promising Ottawa they would not use it to exploit Canadian consumers. Recent judicial investigation of the textile industry revealed large previously undisclosed profits by big cotton manufacturers. The new pact with Britain will expose them to heavier competition from Lancashire mills.

Negotiations are now under way for early revision of the 1932 Dominion agreements with Australia and New Zealand.

## Canada and Magazines

FORGOTTEN amid the complaints of farmers and lumbermen over the "flood" of Canadian products coming into this country since the tariff was lowered last January are the benefits to American publishers whose magazines no longer must pay a 5c duty before entering the Dominion.

Canadian circulation of most United States magazines touched a peak in 1930, and dipped to a depression low in 1933 after the duty on magazines had had time to take effect. It was not until January of this year that the duty was lifted and magazine circulation in the Dominion began to pick up. While in most cases circulation is still far from the pre-tariff peak, year-end figures, when they become available, will show even more striking gains than are evident in the June, 1936, reports, latest available at the Audit Bureau of Circulations. Only magazines which had a Canadian circulation of 30,000 or more in 1930 are included in the list.

## Magazine Circulation and the Canada Market

Magazine	December 1930	December 1933	June 1936
American	35,308	10,028	15,152
Colliers	75,690	16,144	28,105
Cosmopolitan	67,791	38,415	39,950
Delineator	107,173	48,849	35,091
Good Housekeeping	76,647	44,025	52,243
Ladies Home Journal	93,536	32,084	57,588
Liberty	109,410	179,022	226,268
Literary Digest	33,532	3,853	2,310
McCalls	152,111	77,404	80,248
National Geographic	56,633	33,317	41,683
Photoplay	34,597	9,394	10,078
Pictorial Review	181,909	77,473	142,885
Popular Mechanics	36,168	15,597	20,550
Redbook	61,853	21,637	23,170
Saturday Evening Post	101,660	56,014	51,207
True Story	108,093	97,148	134,719
Woman's Home Companion	71,119	20,570	26,977



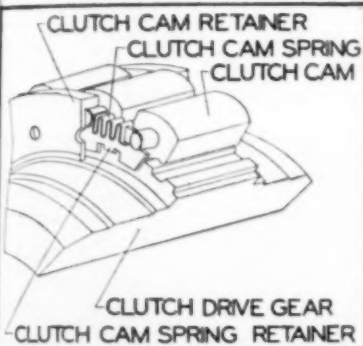
## New Products— New processes, new designs, new packages, new production and sales methods.

**SQUEAKS** and squeals of office chairs vanish permanently at a puff of "Micro-fine" microscopically powdered graphite from the brand-new "junior" Graph-Air gun of Joseph Dixon Crucible Co., Jersey City.

**STORE** and factory counter tops may be dressed up and protected by stainless steel molding now in production at Pyramid Metal Co., 455 N. Oakley Blvd., Chicago. It is manufactured for tops from  $\frac{3}{4}$  to 2 in. thick.

**HEATLESS** automotive windshield defrosters, as developed by Casco Products Corp., Bridgeport, Conn., are auxiliary sheets of glass, set in a metal frame and attached by suction cups. They require no electric current because they utilize dead air space as insulation against such temperature changes as encourage condensation.

**FREE** wheeling comes to industry in the Morse Kelpo-Type "One-Way" Clutch of Morse Chain Co. Division of Borg-Warner Corp., Detroit. Uses extend



from ratchet feed mechanism drives to clutch connections between large turbines and diesels. Free-wheeling is accomplished by a series of individually sprung cams actuated by the main drive gear and restrained from action of centrifugal forces by retainer rings supporting each end of cams. Available in sizes adaptable to a range from  $\frac{1}{4}$  to 100 hp. per 100 r.p.m. Power Show exhibit showed no perceptible back lash or drag.

**STAINLESS** steel hand trucks for wet and/or corrosive substances will be made on special order by Stackbin Corp., Providence, R. I. Welded construction eliminates all interior bolts and rivets. New inverted bottom available; this provides drainage around edges, and saves labor of upending truck after washing.

**"ALLSAFE LIFE LINE GRAB"** provides millwrights, steeplejacks, painters, and other highworkers with practical insurance against their own carelessness and neglect; eliminates necessity of carrying many pounds of rope slack and of continually letting it out and taking it in. As designed by American Allsafe Co., Inc., 210 Franklin Street, Buffalo, N. Y., the grab is attached to the D-ring of a safety-belt; rope slides through without hindrance until a fall occurs, when it grabs and locks the worker to the life line.

**BOTH** the light source and the phototube of the "Teletouch Ray" are housed in the same casing with amplifier and sensitive unit. This latest self-contained electronic relay of Teletouch Corp., 37 W. 54th St., New York, differs from an earlier model in that it is installed simply by plugging it in. Light is reflected into the phototube by any passing object, not including those attired in conventional, unreflective black.

**THE SPEED** of portable electric tools and other small universal type motors will be controlled by the Russell-Wilford "Vari-Speed" just being marketed by Pennsylvania Aircraft Syndicate, Philadelphia. A thumb screw on the  $1\frac{1}{2} \times 3 \times 1$  inch case gives a range from  $\frac{1}{3}$  to full rated speed of tools with input up to 220 volts and under 600 watts.

**MARK-O-FEED CO.**, 637 S. San Pedro St., Los Angeles, brings high speed newspaper press methods to the office Mimeograph and Multigraph with its electrically driven roll feed. Paper, cellophane, or light bristol in any width up to 9 in. comes from the roll, is printed, is cut automatically to any desired length from 10 to 14 in.

**THREE** additions to the first-aid room: (1) stingless, non-poisonous, non-burning, yet powerful iodine called "Tetrodine" by Tyler Laboratories, Inc., 882 Third Ave., Brooklyn; (2) mentholated disposable tissue handkerchiefs, for use in head colds, hay fever, sinus infections, called "Sitroux-Aids" by Sitroux Co., 47 W. 34th St., New York; and (3) "Frez-It-Pak." This readymade rubber therapeutic ice pack, molded with stubby cylindrical studs as aids to radiation, comes with water already locked inside, ready to be placed in a mechanical refrigerator for freezing and refreezing over and over again; is scheduled by Merchants & Manufacturers Co., Springfield, Mass., for production and distribution early in 1937.

## WHAT'S IT MADE OF?



*Did you ever wonder?*

Day after day, your telephone takes all kinds of abuse—but it must never fail you. It must be strong, yet light in weight... and it must have a surface finish that will remain permanently sleek and beautiful. So, when designing the hand telephone, all possible materials were examined and tested—and finally a molded plastic was specified.

Today there are over four and three-quarter million molded hand sets in use. The public finds them pleasant to handle, likes their modern design.

Durez meets the rigid requirements of both Bell Telephone Laboratories and the Western Electric Company. The use of Durez cuts production operations to a minimum because the whole unit, complete with final surface finish, is produced in one molding operation. Lugs and connecting wires are embedded in the handle...Durez itself, provides all necessary electrical insulation.

**DUREZ** is a hot-molded plastic, simultaneously formed and finished in steel dies. **STRONG...LIGHTER THAN ANY METAL...HEAT-RESISTANT...CHEMICALLY INERT...SELF-INSULATING...WEAR-PROOF FINISH.**

Why not let Durez bring these same advantages to your product? For further information and a copy of free monthly "Durez News" write General Plastics, Inc., 1112 Walck Road, North Tonawanda, New York.

**GENERAL PLASTICS' DUREZ**

# Banks Face Fight in Congress

**Social Security amendment will be up for decision, but hottest conflict will be over branch banking and regulation of corporate trusteeships.**

BANKERS were fairly confident, a month ago, that the legislative lightning wasn't going to strike them in 1937. But now anxious eyes already are turning to Capitol Hill where, on Jan. 4 a new Congress will convene.

Already it has become plain that branch banking is due for another inning. It is equally plain that the Social Security act, as it applies or fails to apply to banks, is going to be straightened out. And the Securities and Exchange Commission is reported ready to bring forward drastic regulations to govern the rights and duties of banks' trust departments serving as corporate trustees.

Attracting most attention is the perennial branch banking fight. At least one bill for extension of the powers of national banks has been drawn up. Ranged on the side of the proponents of more latitude is Virginia's Carter Glass, ranking member of the Senate Banking Committee. Sen. Glass already has given interviewers the statement that many small banks will have trouble paying off their Reconstruction Finance Corp. loans, that they would be strengthened by affiliation with branch groups.

## Backing by Eccles Charged

Dignifying the rumors, too, is the fact that the Federal Reserve Board's November *Bulletin* summarized the state laws now in effect. The Reserve authorities disclaimed any intention of reopening the controversy, pointing out that these studies are periodic. Yet Chairman Marriner S. Eccles of the Reserve Board is openly accused by Charles F. Zimmerman, president of the Huntington, Pa., First National and a militant unit banker, of fostering the branch extension idea.

Under present banking laws Federal Reserve member banks are limited in branch bank operations to the rights delegated to state banks in their territories. Exactly what revision will be advocated in Congress is not clear yet, but trial balloons have gone up for both trade area and Federal Reserve District boundaries. The trade area plan probably would satisfy Sen. Glass and the friends of branch banking within the Federal Reserve. The Federal Reserve District partitions would be more to the liking of the Giannini organization which has intrastate systems built or building in the states of California, Oregon, Washington, and Nevada; these could be

consolidated for economy if the Reserve District plan prevails.

But the tide of opposition is rising; it always does. And, while Senate approval of broader branch bank powers for national banks is believed to be just about in the bag, no plan in recent years has been able to get past Rep. Henry B. Steagall's House Banking and Currency Committee. The unit bankers have a way of getting the ears of House members and, barring White House pressure, feel sure they can head off a measure now just as surely as before.

The American Bankers Association, incidentally, displays no disposition to be drawn into the controversy, representing, as it does, both camps among its members. Its study committee met in New York last week. Whereas gossip had it that one of the topics on the agenda would be branch banking, reporters were assured that nothing of the sort had been discussed.

The other bill which promises a stiff fight is that which will suggest regulation of corporate trustees. The SEC last summer made public a study in which past conduct of trustees was excoriated (*BW*—Jun 27 '36, p. 36). In general, the commission found that: Trustees performed only nominal du-

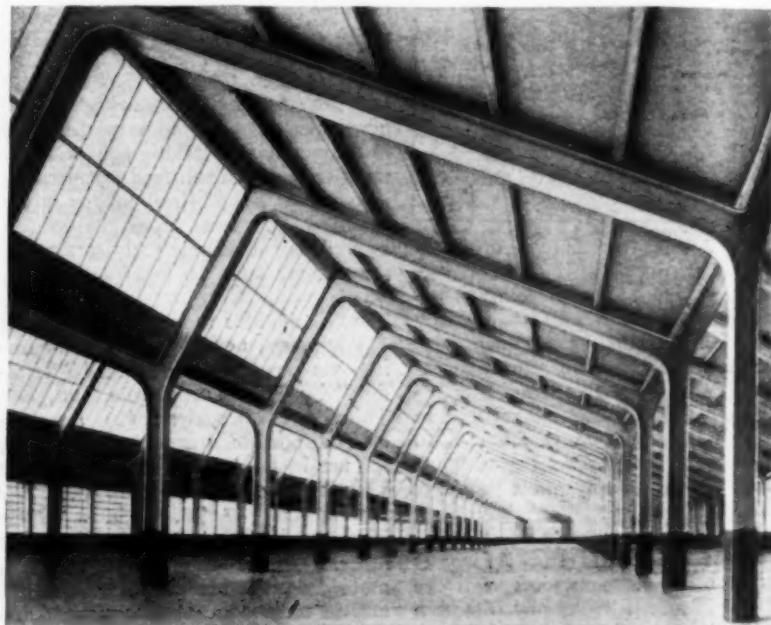
ties, protecting very little the investors whom they theoretically represented; that trust departments of commercial banks should not serve for securities of companies doing business with the bank or having a management tie with the bank through interlocking boards of directors.

Recently it was reported that SEC had a bill already drafted, but this cannot be verified in Washington, and banking circles don't believe the work has progressed so far. Yet the commission's possible recommendations are not hard to guess. They might be: (1) That duties of trustees be increased to make them actual guardians of investors' interest; (2) that trust companies be barred from acting as trustees when there is a community of interest between the bank and the borrower; (3) that the corporate trust division be completely divorced from commercial banks.

## Banks Balk at Cost

On the first of these points the trust companies have but one answer: "We'd be glad to take on more duties—for more pay!" On the second and third they are willing to concede not an inch. Some big banks have gone so far as to figure out what divorce of the trust function from the bank would cost—rent, salaries, setting up information files at present supplied by the bank, etc. Their conclusion is that such costs are prohibitive.

Revision of the Social Security Act with reference to banks has been the



**SIMPLER, STRONGER, FITTED TO THE JOB**—Welding is the answer to many a problem in single-story factory design, the Austin Co. of Cleveland believes. This building, eliminating the cross members and trusses which cast spider-web shadows in many factories, is the result of extensive research in welded rigid-frame construction, and presents a maximum of lighting, with greatly increased functional space.

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Records were rung up which made those of last year look pale. Registration nearly tripled and exhibitors received orders 150% to 200% over those of last year. The industry looks forward to 1937 as the biggest year it has seen since 1929—and that's good news to a business that has to take it in the lean years and is in the money when times are good. Manufacturers of amusement park and fair equipment who have been coasting along with scant changes in their offerings have blossomed out this year with new ideas and streamlined and redesigned standard models. Cabinet designs of fine wood are much in evidence, and while devices have lost nothing in attention value, there is more discriminating use of color and ornament. The trend continues toward devices which are a test of skill, the "see if you can do it" principle, and away from static amusement in which the subject is entertained without being very active himself.

The amusement industry has always been a sensitive barometer of the times, and the enthusiasm and confidence which was displayed by this portion of it—partly the result of a good season this year and partly of shrewd evaluation of the prospects for next year—are just one more straw in the wind which helps to indicate what business may expect of 1937.

subject of drawn-out conferences between American Bankers Association representatives and the Treasury. The formula best received apparently is an amendment to make the act applicable to all banks but to exempt those that now have or which institute plans meeting or surpassing SSA terms (BW—Nov 21, '36, p 41).

Rumors that there will be another drive to force a unified (national) banking system haven't gained much headway. There reports largely hinge around Sen. Glass and his long-standing enmity toward the dual (state-national) banking system. As the law now stands, all banks with more than \$1,000,000 of deposits have to nationalize by 1914 or give up their Federal Deposit Insurance Corp. memberships. One story is that congressmen who share Glass' views will push to shorten this grace period.

## Pastime Money

Amusement park and recreational equipment industries convene and predict a big '37.

THE outdoor amusement industry came indoors for conventions of the National Association of Amusement Parks, Pools and Beaches and the American Recreational Equipment Association which were held at the Hotel Sherman, Chicago, last week.

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## ARE YOU PLAYING A GAME OF FREEZE OUT WITH OLD MAN WINTER

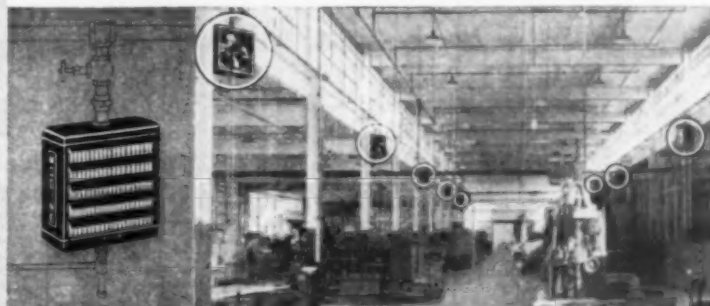
Old Man Winter uses "a cold deck." You can't play him with that old heating plant of yours, and win. When he deals out those below-zero days what will happen to your production? And the lower the mercury drops, the higher your fuel bills go!

The only way to beat Old Man Winter is to modernize with Modine Unit Heaters. All the heat you'll ever need in your factory, store, or office... evenly distributed... when and where you want it. Heat... the instant Modines are turned on. Even on the coldest mornings, or after the week end shut-down, all parts of the room can be quickly brought up to desired temperature... and kept there automatically.

As supplementary heating, Modines strategically located, kill cold spots... eliminate drafts near frequently opened doors... provide the air movement so essential to good ventilation.

Install Modines now... save 13½ to 25% and more in fuel costs alone. Catalog 236 tells why more Modines are sold than any other unit heater. Write for it today.

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**MODINE UNIT HEATERS**  
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# Getting Set to Check the Boom

**New government financing, at record low interest, clears decks for further action to sterilize bank reserves and prevent a repetition of '29.**

INTEREST rates on government bonds sank to another new low this week, as Secretary of the Treasury Morgenthau announced the Dec. 15 financing. Seven hundred million of 13 to 17 year bonds were offered at 2½% as part of the \$1,487,000,000 financing operation. Despite the scanty return, the issue was heavily oversubscribed.

## One More Sign

It was just one more emphatic bit of testimony to the easy money trend; in addition, it stressed the redundancy of idle money afloat over the land—a redundancy which is making the Federal Reserve board of governors and the Securities and Exchange Commission uneasy. Banks, insurance companies, and a few investors who want tax-exempts will jump for the government issues. But other investors and speculators will look to the stock market to cache their funds for profit.

The concern of the SEC over broker-dealer operations; the worryment of the Federal Reserve over margin requirements, and the repetition of anxiety over the excess reserves of member banks, are all of a piece. "The men in the Administration who are managing the country's money and credit are distracted lest there occur a repetition of the 1929 landslide in securities. Hence their determination to check a boom in its incipient stage.

The new financing clears the deck for action. The Board of Governors of the Federal Reserve System, early next year, can move to sterilize banking reserves further—if they consider such a step necessary. Facts in the case are these: The United States has a massive gold inventory of \$11,200,000,000; member bank excess reserves aggregate \$2,200,000,000. Such figures are astronomical, and can form the basis for a rapid credit expansion.

Each dollar of gold can be translated into \$2.85 of member bank reserves; and each dollar of member bank reserves, under current requirements, can be expanded into \$6.67 of bank deposits, which in turn can become loans and investments. In other words, one dollar of gold can be elasticized into \$19.01 of deposits in member banks.

An immediate inhibitive influence would be another increase in reserve requirements. The Reserve Board has tried that once (*BW—Jul 18 '36, p17*), but without marked success. Excess reserves amounted to \$3,400,000,000 before the 50% boost in requirements went into effect on Aug. 15. After that they dropped to about \$1,800,000,000, and then rose steadily. The strange part about the performance was that money in circulation also increased. Flow of foreign gold—"hot money"—to buy American securities offset the expansion in currency.

## New Reserve Order Anticipated

The net of it all is this: The Reserve Board is considering re-raising reserve requirements. If action does come, it will probably take place around Feb. 15 or March 15, after holiday currency returns to the banks.

The original boost was 50%. Under the law, the board had the right to advance reserve requirements 100% from the 1917 base. Which means it could go up another 33⅓%. Here is what has happened and what could happen:

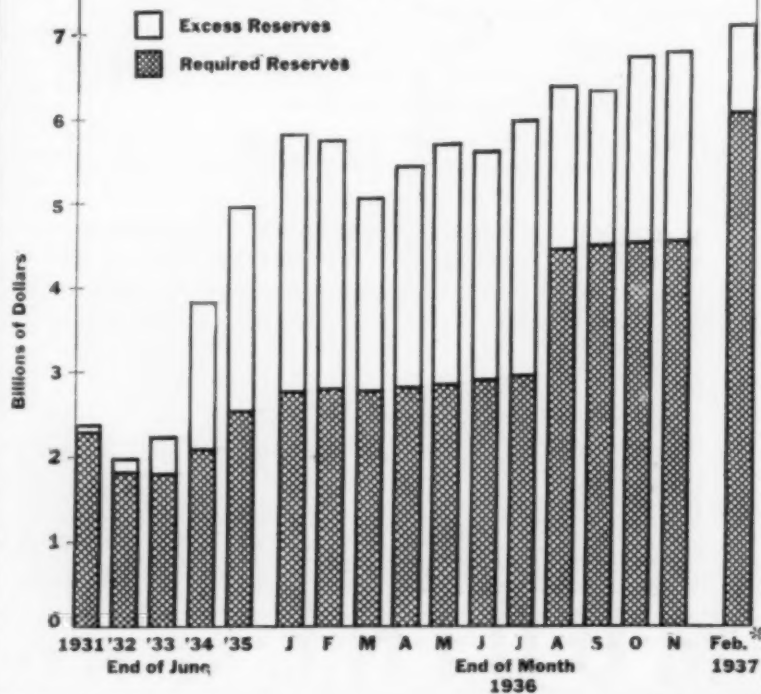
Class of Bank	Member Bank Reserve Requirements		
	Aug. 14	Aug. 15	Mo. 15
	%	%	%
Central Reserve City...	13	19½	26
Reserve City .....	10	15	20
"Country" Banks .....	7	10½	14

By hiking the requirements to the maxima, the Reserve Board could pull down the excess from \$2,200,000,000 to about a billion (allowing for a possible \$200,000,000 influx of gold and a return of \$100,000,000 in currency between now and February). Then, the \$1,000,000,000 of excess reserves would be controllable through Federal Reserve open-market operations. By selling part of the Federal Reserve holdings of \$2,430,000,000 of Treasury obligations, member bank reserves can be cut down. Trouble with that is this: government securities are about the only real earning asset the Reserve banks hold; to get rid of them would impair earning capacity further—at a time when the Reserve banks are falling short of covering dividends (*BW—Sep. 12 '36, p49*).

Before any radical change is made in the reserve requirements, the board of governors will study the distribution of member bank reserves. When the change went into effect in August (*BW—Aug 15 '36, p17*), the banks came through in fine style. There was no

## If Reserve Requirements Are Boosted Again—

Here is the graphic picture of the rise and fall (mostly rise) in excess reserves over the last six years and an estimate of what total and excess reserves of member banks will be in February, if the Reserve Board shoots the works and hikes reserve requirements to the limit—another 33⅓%.

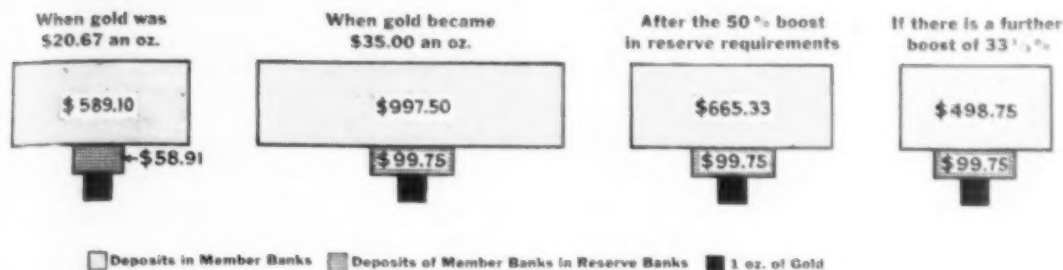


\* Estimate

© BUSINESS WEEK

## This Is the Pure Theory of Credit Expansion

### How Gold Supports Bank Deposits



© BUSINESS WEEK

ACADEMICALLY SPEAKING—An ounce of gold today can support \$665 in bank deposits. And if reserve requirements are boosted again—to their absolute limit—then the expansion power will be reduced to \$499, which would be below what it was when gold was \$20.67 an ounce. Actually, the full elastic

strength of gold has never been utilized. The deposit potential is theoretical, rather than practical. Particularly is this true today when currency and credit are very much managed by the government—not by Federal Reserve laws, interest rates and the so-called automatic working of the gold standard.

And it is likely that if the Reserve does it again, there will be no credit stringency. The treasury is still interested in easy money.

The existence of a huge federal debt—the debt will cross the \$34,000,000,000 mark when the Dec. 15 financing is completed—has contributed to the plethora of bank reserves. A balanced budget would tend to solve the problem.

As revenues mount (and Social Security taxes should accelerate the process), the Treasury can pay off part of the debt. This has a double-edged effect. Deposits of taxpayers are reduced. Holders of government bonds get paid off. Their deposits increase. But deposits in banks remain about the same. Instead of government deposits in banks, there are private deposits. Against these private deposits, banks must carry reserves, whereas against government deposits there are no reserves. Hence, excess reserves drop.

It involves, of course, a question mark. When will Sec. Morgenthau stop doing new financing? When will the government balance its budget and begin retiring debt? When that time comes, the influx of foreign "hot money" will not be the husky problem it is today. The government will not be in there financing a deficit, thereby boosting bank deposits, thereby boosting excess reserves. Instead, a budget surplus will be deflating the expansion, so to speak.

### Fruit Juice Bottle Vs. Can

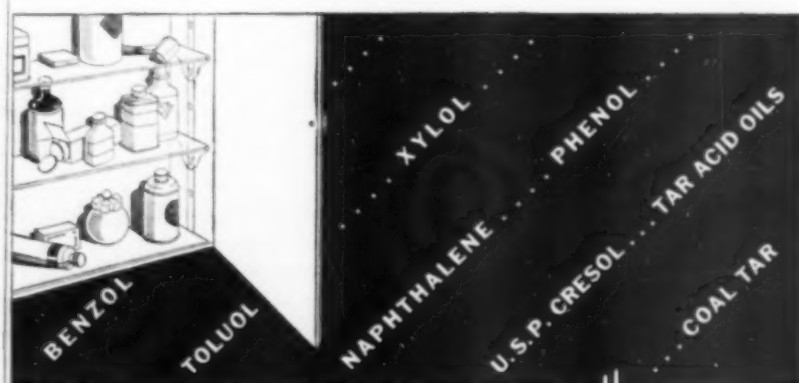
RIVALRY between can and bottle manufacturers has spread into the rapidly-growing orange juice field. While most large California packers are canning orange juice and some are adver-

tising their products nationally, Mission Dry Corp., of Los Angeles, giant among fruit juice distributors, is adopting glass containers and plans nationwide distribution through licensed dairies along with the family's morning milk.

Mission Dry has spent \$350,000 for new equipment and claims to have

developed a process whereby the juice retains the flavor and food value of the fresh. The 12-oz. stubby bottle, so familiar to the public in distribution of beer, will be used with a vacuum-pack process. A national promotion campaign by Mission Dry will emphasize economy and quality as advantages of the bottled product.

## KOPPERS and the Medicine Chest

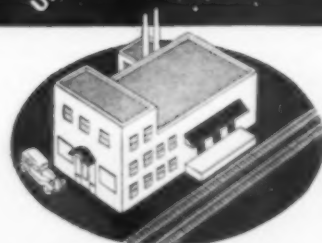


Koppers is one of the largest producers of coal tar products. These products are indispensable in the manufacture of many of the world's most widely used medicinals . . . drugs, ointments, cathartics, disinfectants, and germicides.

### KOPPERS COMPANY

Tar and Chemical Division

PITTSBURGH, PENNSYLVANIA



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2. Roofing Materials
3. Waterproofing Materials
4. Bituminous Paints
5. Creosote for Wood Preservation
6. Light Oils
7. Tar Acids
8. Coal Tar Pitches

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It was just one more emphatic bit of testimony to the easy money trend; in addition, it stressed the redundancy of idle money afloat over the land—a redundancy which is making the Federal Reserve board of governors and the Securities and Exchange Commission uneasy. Banks, insurance companies, and a few investors who want tax-exempts will jump for the government issues. But other investors and speculators will look to the stock market to cache their funds for profit.

The concern of the SEC over broker-dealer operations; the worryment of the Federal Reserve over margin requirements, and the repetition of anxiety over the excess reserves of member banks, are all of a piece. "The men in the Administration who are managing the country's money and credit are distracted lest there occur a repetition of the 1929 landslide in securities. Hence their determination to check a boom in its incipient stage.

The new financing clears the deck for action. The Board of Governors of the Federal Reserve System, early next year, can move to sterilize banking reserves further—if they consider such a step necessary. Facts in the case are these: The United States has a massive gold inventory of \$11,200,000,000; member bank excess reserves aggregate \$2,200,000,000. Such figures are astronomical, and can form the basis for a rapid credit expansion.

Each dollar of gold can be translated into \$2.85 of member bank reserves; and each dollar of member bank reserves, under current requirements, can be expanded into \$6.67 of bank deposits, which in turn can become loans and investments. In other words, one dollar of gold can be elasticized into \$19.01 of deposits in member banks.

An immediate inhibitive influence would be another increase in reserve requirements. The Reserve Board has tried that once (*BW*—Jul 18 '36, p17), but without marked success. Excess reserves amounted to \$3,400,000,000 before the 50% boost in requirements went into effect on Aug. 15. After that they dropped to about \$1,800,000,000, and then rose steadily. The strange part about the performance was that money in circulation also increased. Flow of foreign gold—"hot money"—to buy American securities offset the expansion in currency.

## New Reserve Order Anticipated

The net of it all is this: The Reserve Board is considering re-raising reserve requirements. If action does come, it will probably take place around Feb. 15 or March 15, after holiday currency returns to the banks.

The original boost was 50%. Under the law, the board had the right to advance reserve requirements 100% from the 1917 base. Which means it could go up another  $33\frac{1}{3}\%$ . Here is what has happened and what could happen:

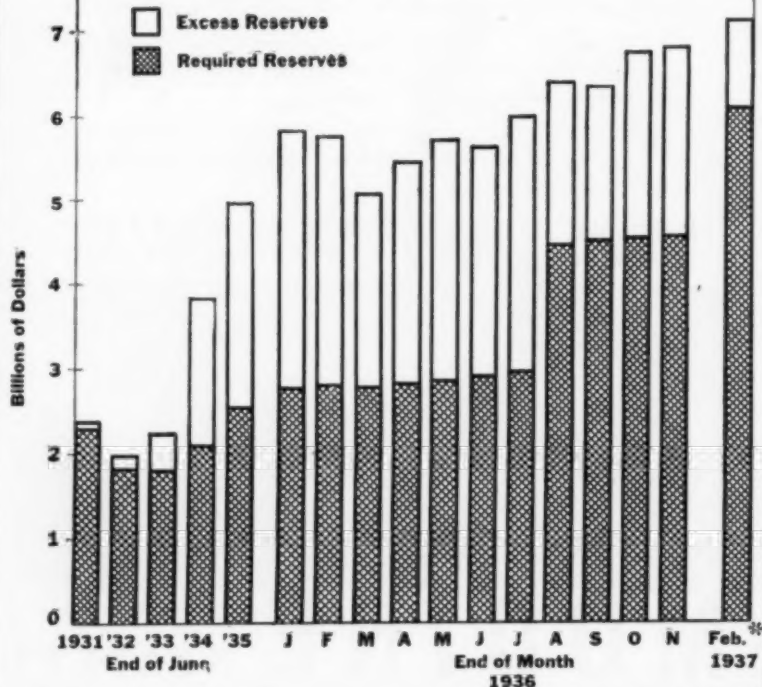
Class of Bank	Member Bank Reserve Requirements		
	Aug. 14	Aug. 15	Mar. 15
	%	%	%
Central Reserve City...	13	19½	26
Reserve City .....	10	15	20
"Country" Banks .....	7	10½	14

By hiking the requirements to the maxima, the Reserve Board could pull down the excess from \$2,200,000,000 to about a billion (allowing for a possible \$200,000,000 influx of gold and a return of \$100,000,000 in currency between now and February). Then, the \$1,000,000,000 of excess reserves would be controllable through Federal Reserve open-market operations. By selling part of the Federal Reserve holdings of \$2,430,000,000 of Treasury obligations, member bank reserves can be cut down. Trouble with that is this: government securities are about the only real earning asset the Reserve banks hold; to get rid of them would impair earning capacity further—at a time when the Reserve banks are falling short of covering dividends (*BW*—Sep. 12 '36, p49).

Before any radical change is made in the reserve requirements, the board of governors will study the distribution of member bank reserves. When the change went into effect in August (*BW*—Aug 15 '36, p17), the banks came through in fine style. There was no

## If Reserve Requirements Are Boosted Again—

Here is the graphic picture of the rise and fall (mostly rise) in excess reserves over the last six years and an estimate of what total and excess reserves of member banks will be in February, if the Reserve Board shoots the works and hikes reserve requirements to the limit—another  $33\frac{1}{3}\%$ .



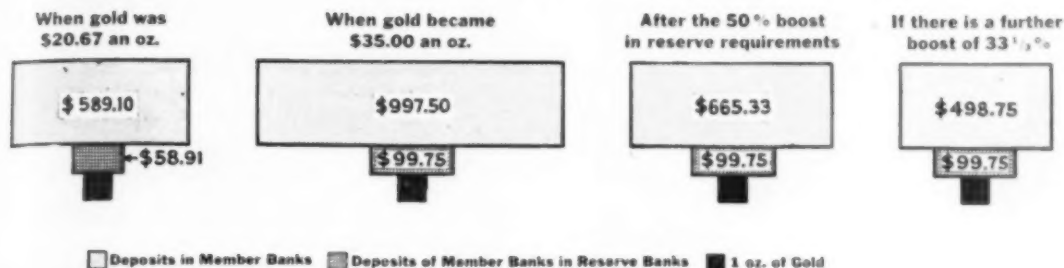
\* Estimate

© BUSINESS WEEK



## This Is the Pure Theory of Credit Expansion

### How Gold Supports Bank Deposits



© BUSINESS WEEK

ACADEMICALLY SPEAKING—An ounce of gold today can support \$665 in bank deposits. And if reserve requirements are boosted again—to their absolute limit—then the expansion power will be reduced to \$499, which would be below what it was when gold was \$20.67 an ounce. Actually, the full elastic

strength of gold has never been utilized. The deposit potential is theoretical, rather than practical. Particularly is this true today when currency and credit are very much managed by the government—not by Federal Reserve laws, interest rates and the so-called automatic working of the gold standard.

pinch. And it is likely that if the Reserve does it again, there will be no credit stringency. The treasury is still interested in easy money.

The existence of a huge federal debt—the debt will cross the \$34,000,000,000 mark when the Dec. 15 financing is completed—has contributed to the plethora of bank reserves. A balanced budget would tend to solve the problem.

As revenues mount (and Social Security taxes should accelerate the process), the Treasury can pay off part of the debt. This has a double-edged effect. Deposits of taxpayers are reduced. Holders of government bonds get paid off. Their deposits increase. But deposits in banks remain about the same. Instead of government deposits in banks, there are private deposits. Against these private deposits, banks must carry reserves, whereas against government deposits there are no reserves. Hence, excess reserves drop.

It involves, of course, a question mark. When will Sec. Morgenthau stop doing new financing? When will the government balance its budget and begin retiring debt? When that time comes, the influx of foreign "hot money" will not be the husky problem it is today. The government will not be in there financing a deficit, thereby boosting bank deposits, thereby boosting excess reserves. Instead, a budget surplus will be deflating the expansion, so to speak.

### Fruit Juice Bottle Vs. Can

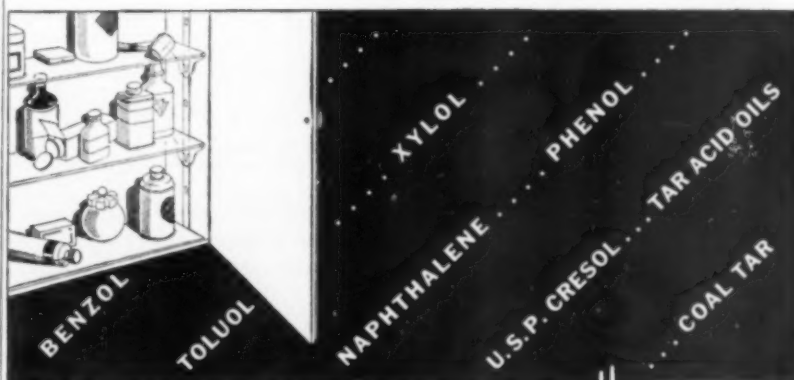
RIVALRY between can and bottle manufacturers has spread into the rapidly-growing orange juice field. While most large California packers are canning orange juice and some are adver-

tising their products nationally, Mission Dry Corp., of Los Angeles, giant among fruit juice distributors, is adopting glass containers and plans nationwide distribution through licensed dairies along with the family's morning milk.

Mission Dry has spent \$350,000 for new equipment and claims to have

developed a process whereby the juice retains the flavor and food value of the fresh. The 12-oz. stubby bottle, so familiar to the public in distribution of beer, will be used with a vacuum-pack process. A national promotion campaign by Mission Dry will emphasize economy and quality as advantages of the bottled product.

## KOPPERS and the Medicine Chest

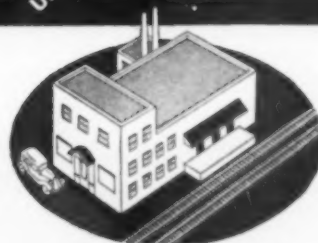


Koppers is one of the largest producers of coal tar products. These products are indispensable in the manufacture of many of the world's most widely used medicinals . . . drugs, ointments, cathartics, disinfectants, and germicides.

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Tar and Chemical Division

PITTSBURGH, PENNSYLVANIA



1. Tarmac for Roads
2. Roofing Materials
3. Waterproofing Materials
4. Bituminous Paints
5. Creosote for Wood Preservation
6. Light Oils
7. Tar Acids
8. Coal Tar Pitches

# 250 Per Cent Increase in

*McGraw-Hill Survey Shows 87% of Manufacturers Developing New Products or Redesigning Old Ones.*

**D**RAMATIC evidence of the real underlying faith of business men and industrialists in the future of America is being furnished by the records of product development now coming to light. Even when the production and sale of capital goods had almost come to a standstill, the employment of engineers, research men, laboratory workers and product designers was being stepped up throughout our industries. And these men have been developing new materials, new machines and new methods which a reawakened Industry is seizing, to push the American standard of living to new high levels.

Here is the picture as it is viewed by two McGraw-Hill editors whose intimate contact with what is going on in product development permits them to appraise the trends and evaluate the possibilities that lie ahead.

## NEW MATERIALS AND NEW METHODS SPEED INDUSTRIAL PRODUCT REDESIGN



G.A. NORDENHOLT  
Editor  
Product Engineering

Research laboratories and engineering departments have been working at feverish heat. The urge to create new things became more intense while general business was bad, and the best brains of science, research and product engineering have been bent to the task. According to the annual surveys that have been made by **PRODUCT ENGINEERING**, 1932 was

the low point in product design activity. Every year since then, there has been a steady increase in the number of men employed at this work.

The figures for 1936 as reported by 315 leading manufacturers representing practically every field of metal product design show about 2½ times as many product design people now employed as in 1932. And 87% of the reporting manufacturers stated that during the past twelve months they have developed new products or redesigned old ones.

Let us examine some of the new things with which Industry and its product designers must reckon. We can sketch the most significant and fundamental ones rather quickly.

Developments in materials include new molding plastics, new stainless steels, low-cost alloy steels that require no

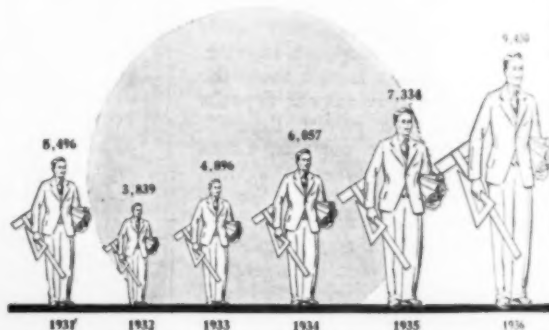
heat treatment to give them high strength, fibrous glass that can be woven into cloth, synthetic glass that is flexible and more transparent to ultra-violet rays than is ordinary glass, synthetic rubber that is oil-resistant, and new lacquers and porcelain finishes.

New machine tools exhibited for the first time at the Cleveland Exposition late in 1935, made many shop executives gasp. Automatic machines capable of producing parts two or three times as fast as the older machines, metal cutters and grinders that can turn out parts to an undreamed-of accuracy, new machine tools of greater flexibility and ease of control, — these have opened up great possibilities for the design of products hitherto believed uneconomical to produce.

Similar progress has been made in electrical parts and devices. New motors and controls, far more reliable and compact than their predecessors, and electronic controls that make possible uncanny automatic machines and operations, — all these offer new and tempting ideas to product designers.

In processes we note that stainless steels can now be welded satisfactorily and economically. There is chemical rust-proofing, as well as new methods and applications of electroplating with nickel, cadmium or chromium.

All this means that there is now, and will continue to be, a growing stream of new products, new equipment, new machinery that renders older ones obsolete, at a more rapid pace than in the past. It means that never before has such a sales opportunity been presented to those who have new materials, new products, new methods to present to Industry.



The great increase in number of product designers, research workers, experimental engineers, and draftsmen during the past five years can mean only one thing — expanding business is using more and more expert help in production.

THE TIME IS RIGHT...THE NEED IS EVIDENT...THE MONEY IS AVAILABLE...

*Let's Rebuild America!*

# in Product Design Activity

Manufacturers of machinery and other equipment are putting forth their maximum efforts to bring their products abreast of the latest developments of science, and to produce them economically. Therefore they are eagerly scanning their business papers and the advertising pages which give them the answer to the universal question "What's new?"

## THE ELECTRON TUBE — A NEW TOOL TO SPEED INDUSTRIAL PRODUCTION



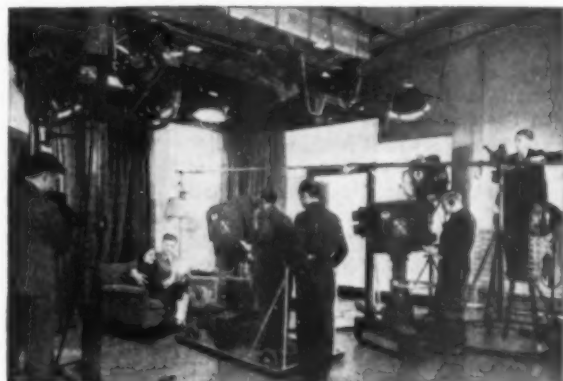
KEITH HENNEY  
Editor  
Electronics

Out of the laboratory and into the factory have come a host of new products and materials, but none stirs the imagination like the electron tube. This is the device which has made possible the radio as we know it today. But the little glass tube in our household radio receivers, has graduated from its kindergarten days. Today it bids fair to become a factor in nearly all industry, and to be responsible for the creation of new industries.

For industry in general now finds that it can make use of electrons in motion, and thereby gain new economies in production or new accuracies in qualities and gradings. The "electric eye," as it has become rather generally known, makes it possible to route packages around a plant according to size, weight, color or shape. Products may be sorted, painted, heated and dried,—automatically, silently and efficiently. Machinery and processes, like welding, can be controlled more effectively than by the most skilled human hands.

No longer are these electron tubes delicate glass affairs giving only a few hours of service before they break down. Today they are made of metal, engineered to give thousands of hours of trouble-free service and to handle power in terms of hundreds of kilowatts if required. They are in every sense of the word, a commercial product.

Besides its obvious applications to the operation and control of industrial machinery and processes, the electron tube



Behind the scenes in a television studio where a program is actually being broadcast.

is a vital factor in at least one future industry which is admitted by experts to be almost at hand. That is *television*, the commercial and home possibilities of which are yet envisioned only by some of the advanced thinkers in our most progressive business organizations. The transmission of facsimile pictures by wire and by radio is likewise coming into more general use.

Here then, is a new factor in industry—*itself a brand-new industrial market*. Just as the development of gears and gearing made possible the most amazing advances in machine design, the electron tube seems destined to revolutionize electric control. In the manufacture of electron tubes and their application to industrial equipment, a new group of technicians, designers, engineers and production experts are becoming *industrial buyers*. They constitute a new market for many industrial products — both materials and machinery, — a market which the forward-looking manufacturer must cultivate and educate with intensive advertising directed to the men in this new industry.

**M**ASS production — a term very nearly in general disrepute during the depression — is once more achieving its rightful place in the American economic system. In plain English it means more products for everybody at lower cost. It is achieved by using the proper combination of the most efficient tools and materials that American inventive genius can devise.

The sale of products, like their production, is also susceptible to mass production methods. Industrial advertising has proved itself one of the most effective tools in the manufacture of sales. It spreads information, educates prospects, creates desires and releases the salesman's time for the all-important job of closing sales.

## McGRAW-HILL PUBLICATIONS

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Business Week	Electrical Merchandising	Engineering and Mining Journal	Mill Supplies	Textile World
Coal Age	Electrical West	Engineering News-Record		Transit Journal



# Europe Beats Us in the Air

**Returning editor reports amazing advance in aircraft production methods. Nazis produce 10,000 planes a year; Britain rearms in panic.**

It is no further from Berlin to London than it is from New York to Indianapolis. Paris is less than 200 miles from the German border.

The whole of Great Britain is smaller than the state of Oregon. France is larger than California, but smaller than Texas.

Modern bombers fly at speeds over 250 miles an hour, carrying a ton of explosives.

It is necessary for Americans to have these area and distance facts in mind to understand the fear that grips all of Europe now, according to S. Paul Johnston, editor of *Aviation*, who has just returned from a survey of European air developments armed with much data not previously available here.

The great armament race that is going on in Europe has taken on a new complexion in the last four years. Land and naval forces are still of great importance and much money and effort are being spent to improve them, but the real race is in the air, for the rise of air power has upset all of the classical military concepts. It has also changed many diplomatic concepts, for international alliances need no longer be based on geographical proximity of allies.

There are between 25,000 and 30,000 war planes in the various defense forces of Europe. (The United States has been charged with being rabidly militaristic for planning to build up an air force of 5,000 planes in the next



Boefoto

**A THOUGHT FOR NEIGHBORS**—The Soviet union calls attention to her preparations for war; one of the things she practices is dropping troops by the thousands, with machine guns, from the skies.



five years). Germany alone probably has 7,000 now, and is producing at the rate of at least 10,000 a year. Russia has recently announced that she has the largest air force in the world, and if designs on display at the recent Aviation Show in Paris can be taken as representative, Russia's planes compare favorably with the best in the rest of Europe. She has also developed a new tactical concept of dropping thousands of troops in parachutes behind imaginary enemy lines.

Although Italy probably does not have as large an air force as either Germany or Russia, there is little doubt that the quality of most of Mussolini's equipment is first rank. The Italian air force also has the advantage of having been recently on a full wartime footing.

Most striking of Mr. Johnston's observations from both the military and the commercial point of view is that aircraft construction in Europe is to our aircraft production what our automobile production is to Europe's motor car output. Germany has definitely Fordized airplane output.

German aircraft factories are laid out and operated on a scale and in a manner that is the envy of efficiency experts from many countries. As many as 30,000 men are reported to be employed in the Junkers plant at Dessau.

Instead of utilizing sites to their fullest extent by the usual method of putting buildings close together and in an alignment consistent with straight-line production, a certain degree of overall efficiency is sacrificed for an arrangement designed to minimize damage from falling bombs. Thus, a plant which normally might be put into a much smaller area is scattered over many acres. An outstanding example

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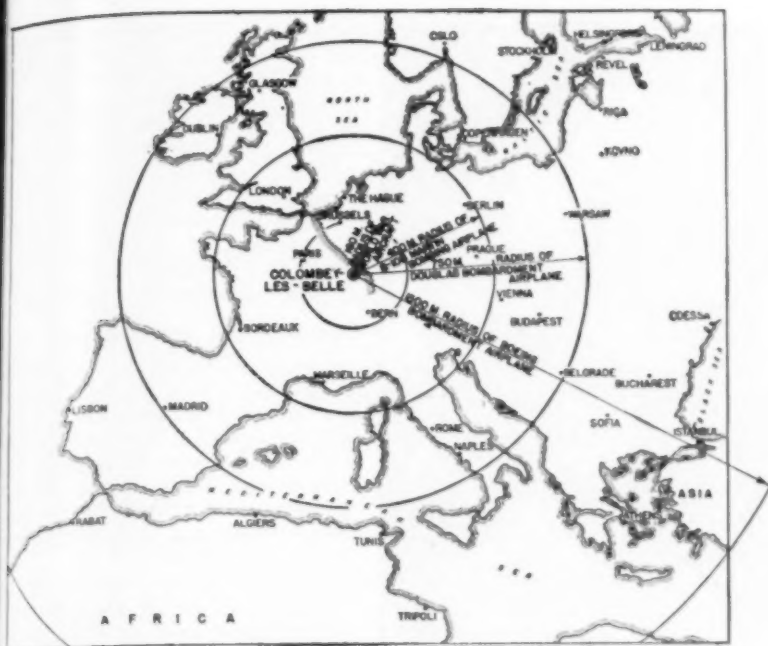
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Air Corps, Courtesy Aviation

**WIDENING WAR ZONES**—Every country in Europe is within bombing range of any European enemy. Turkey and northern Africa could be attacked by air from a base in the Baltic. Here the comparative effectiveness of airplane ranges from 1918 to 1936 is measured by successive models of U. S. military aircraft.

is the great Henschel plant in the outskirts of Berlin.

Also, in many German plants, each unit has a bomb- and gas-proof cellar into which all workers may retire in case of a raid. It brings the threat of war very close to go down into these dugouts through gas-tight doors and see rows of chemically-treated overalls, each with a gas mask hanging above it, and each tagged with the number of the employee to whom it is assigned.

#### Junkers Using Diesels

Technically, one of the most interesting developments in Germany is the expanding use of diesel motors. The Junkers plant alone is making probably 300 to 400 diesels a month. The popular Junkers JU86 bomber is powered with two of these motors. In spite of the rumored shortage of airplane engines in England, a number of the comparatively new Junker planes built for Germany's export market were powered with British motors.

France, Europe's No. 1 air power for the first 15 years after the war, appears definitely to have fallen behind both Germany and Russia. French airplane factories are badly disorganized just now while the troublesome transition from private to compulsory government ownership and control is being made.

England is literally in a frenzy trying to catch up with the Continental powers. Airplane factories are operating at capacity, and at many plants, assembly has spread into factory yards while roofs are being built over the workers.

Britain is going ahead with the "shadow" plan—building parts at various properly equipped plants scattered throughout the country, with assembly at some central points. This is in contrast with general practice in Germany or France, where parts and assembly usually take place at a single plant.

A few general observations: Camouflaging of new military planes has become general practice.

Some pursuit planes carry as many as eight guns; four is common practice.

Some pursuit planes now carry a 23 mm. cannon mounted in the motor.

#### Plenty of Sales for Fabric

All-metal planes have not completely supplanted metal frames with fabric wing covering. Both the linen and dope (liquid coating) industries are, in fact, booming. Although metal dealers have the edge on them in the airplane industry now compared with 20 years ago, continued use of fabric-covered control surfaces, for instance, multiplied by today's mass production, provides a bigger market for linen and dope than the entire industry did during the last war.

With the coming of air power, the old adage that the only defense lies in attack becomes more than a mere theory. The obvious move for any country determined to force its will by military measures against any other is an overnight surprise attack by masses of bombardment aircraft against enemy industrial centers. This is the move that all Europe fears today.

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**Do  
people  
like you  
instinctively?**



**GETTING ALONG WITH PEOPLE**, by Milton Wright, (\$2.50) tells you precisely what to do and say, and why you should do it, to secure the results you want in countless situations in business and social life, in everyday contacts, and in important situations with a major bearing on your life and happiness. With many practical examples it shows you:

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- how to meet people properly and deal with them smoothly and efficiently

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Underwood & Underwood

**NERVE CENTER, ORIENTAL**—The western world has several important nerve centers; in the east there is one which looms most important—Tokyo. In the sparkling new Diet Building (above) the statesmen of the empire are meeting this month; their pact with Germany is known to the world, their hopes for expansion and their military budget are matters of moment to every nation. In the spotlight of their most intense scrutiny lies Russia, their neighbor and their potential enemy.

## Business Abroad

**British rally behind Parliament in battle over constitutional issue. Soviets intensify defense plans in reply to German-Japanese threat. French prices rise sharply. Germans face new ration program.**

THE Baldwin cabinet's position has been seriously weakened by the recent British crisis in spite of the outcome. Business and the public are disgusted with prime minister's inability to nip various crises in the bud by acting decisively. But because of the need for empire solidarity, for full and careful consideration of foreign policy, and for removing uncertainties which threaten the commercial possibilities of the coronation, both are prepared to cooperate with him now, rather than precipitate a change in government at this critical time.

Fascist governments are running into trouble. The Franco forces in Spain have failed miserably in their plan to capture Madrid in a short, spectacular drive, and it is doubtful now whether they can carry out their plan at all.

The German-Japanese pact to unite in a campaign against Russia threatens to precipitate a cabinet crisis in Tokyo, has turned the British away from Germany and toward closer cooperation with France, and puts Mussolini on the spot. As one of the "have-nots" which has more or less satisfied its territorial ambitions for the present, Rome has more to gain from cooperation with London than Berlin. What Rome needs is a loan and a period of peace in which to develop its colonies. Alliance with Japan—which is seriously threatening Britain's investments and

trade possibilities in China and her possessions in the East Indies—precludes financial support from London.

## Soviet Union

**Moscow answers Japanese-German threat with new highly-organized Commissariat of Defense Industries. Foreign firms negotiate through representatives sent to Moscow.**

**Moscow (Cable)**—Within four days after the adjournment of the special Congress of the Soviets, the government announced the appointment of the head of the new Commissariat of Defense Industries which was provided for in the newly-adopted constitution last Saturday.

Moisey Lvovich Rukhimovich, formerly an associate of Orjonokidze in

the heavy industry, has been designated the head of Russia's latest, and what may be most favored, commissariat.

Associated with him as assistants will be Michael Kaganovich, brother of Lazar Kaganovich, Commissar of Transport, and Romyald Myklevich. Both of these, in conjunction with their chief, formerly filled important posts in the Commissariat of Heavy Industry as heads of the aviation and naval construction departments, respectively.

## Speeding up Armament

Determined to be fully prepared to meet simultaneous attacks in the Far East and in the West, the Kremlin, your correspondent learns, will provide this new department with a tremendous budget, and the country's armament program, as a reply to the Japanese-German agreement, will take on even greater proportions.

Workers' meetings are now passing resolutions calling for the organization of aviation courses in every factory, where workers may acquire pilots' licenses by studying after working hours. "Each factory and collective farm must organize its own air club," is the latest slogan. Ace pilots declare that it is possible to train 170,000 pilots—one for each thousand of Russia's population—within a relatively short period of time.

Meticulous care will be taken in recruiting personnel for the new commissariat, it is announced. "Every person taken on will be carefully verified so that spies, Trotskyites, or even honest chatterers who can't keep a military secret may be kept out."

## Ample Precedent

In this connection, it will be recalled that Georgi Piatakov, formerly an associate of Rukhimovich, as Assistant Commissar of Heavy Industry, is now in prison awaiting trial as one of Trotsky's chief lieutenants in conducting wrecking activities in the heavy industry.

The construction of thousands of new planes, tanks, latest infantry and artillery equipment, and the building of modern dreadnaughts, cruisers, and submarines will be the business of the new commissariat.

Your correspondent is informed by the Commissariat of Foreign Trade that the practice of handling in Moscow or Leningrad large-scale negotiations for imports from foreign firms, and the terms of payment for goods purchased which were introduced last year, have worked out entirely satisfactorily. Many deals have been closed in Moscow, some of them with representatives of American manufacturers.

Despite the reluctance of foreign firms at first to submit to stipulated regulation which presupposes complete reliance upon a Soviet arbitration committee to settle any disputes that may



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...rise, no firm has been refused the right to carry on business with the Soviet Union, it is reported, and disputes in every instance have been satisfactorily settled. Terms of payment—45 days after shipment from the United States, 30 days from European countries—remain the same for deals now under negotiation.

The regulation, however, that foreign firms doing business here on a permanent basis register with the Commissariat of Foreign Trade and subject themselves to the payment of a tax, has been interpreted with much moderation. To date no firm is registered, their representatives being regarded as mere temporary visitors which, as a general rule, they are.

## Great Britain

**Financial London expects early settlement of the Constitutional crisis. Distressed areas will get government aid.**

LONDON (Cable)—Business leaders in London were informed that the only solution to the present "constitutional" crisis was for the King to give up Mrs. Simpson, or abdicate as the Duke of Cornwall with the assurance that he can continue to collect as income the revenue from that duchy.

While the early nervousness over the situation seems to have run its course and business on the big markets is settling back to normal, many industries have already suffered enormous losses. Manufacturers of Coronation Week novelties bearing the name or picture of the King have temporarily suspended production. Bookings for the coronation have slowed up, and railroads and hotel eppers fear that the interest of the conservative provinces in the coronation has been dampened by the publicity of the last few weeks.

### No Real Business Fears

Now that the decision has been made, politicians, the press, and business interests are getting together to sink all of their prejudices and help to restore the prestige of the monarchy and maintain the unity of the empire. There is little fear now that any business complications will arise which cannot readily be handled.

British business is fully aware that a much larger principle was involved in the recent controversy than the marriage of the King to a twice-divorced woman of American birth. It is an age-old British tradition that the monarch must not be dragged into politics. This tradition was broken by Edward VIII when he went to the distressed areas of South Wales and said, with emphasis, that "Something will be done."

When he returned, ministers were

already angry that he had pledged them to do something they had, after long efforts, been unable to perform. It is significant, however, that a Special Areas bill will be rushed through both houses early in 1937.

Commissioners for the various regions which are plagued with economic blight have pleaded that they be referred to as "special" rather than "distressed" regions, since "distressed" tends to drive away enquiring new industries.

Behind-the-scenes strong man has been Malcolm Stewart, who as commissioner presented a full report and resigned office when the government showed its customary lethargy. It was he who was summoned to dine with Edward VIII when he was on his way to Wales.

Apart from the constitutional crisis, business activity is continuing at high levels. Employment has touched a six-year high. Startling in the report that 295,000 have been reemployed this year is the revelation that 9,000 of these are farmers whose purchasing power continues to increase under the stimulus of the government's protective agricultural tariff.

## France

**Withdrawal of Communist support is expected to cause early fall of Popular Front government—Prices are rising.**

PARIS—(Wireless)—Premier Blum and his government won a vote of support from parliament this week, but Paris doubts now that the government can last much longer. The issue is France's

non-intervention policy in Spain. With the exception of the Communists (there are 71 of them), parliament supports Blum overwhelmingly. But the Communists are a definite part of the Popular Front platform on which the Blum government came to office. The premier was persuaded to continue in power in spite of the loss of one of the important elements of his party, but it is believed now that as soon as the 1937 budget is voted, he will resign.

Camille Chautemps, veteran leader of the Radical-Socialist party in the Senate, and a member of the present cabinet, is expected to be the next premier. He would draw his support from his own party, and from the Socialists and a sprinkling of parliamentarians of the Center.

### Higher and Higher

Industry is operating at higher levels each week. Unemployment has dropped below the figure for this period last year, in spite of the opposition of employers to the new hours and wages laws and their reluctance to cooperate before the terms have been modified. War orders have boosted activity in the steel industry to capacity levels, and deliveries are already two months behind schedule.

Employers and workers have failed to come to terms on a plan for the arbitration of strikes, but have agreed to accept whatever plan is voted by the government.

Prices since devaluation have risen irregularly. Wholesale prices in general are up 17%, with domestic products mounting 11% and imported items climbing 31%. Careful controls have kept food prices from climbing more than 9%, but higher costs have pushed



SMALLER, MORE ECONOMICAL, CHEAPER—Foreign automobile shows reveal a trend to smaller cars, as compared with American exhibits. On the main floor of the show at Prague, for example, small cars (and open sports models) predominate.

Globe

industrial prices 28% above the pre-devaluation level.

The bourse has been firm all week, though the unsettlement in London is beginning to be felt. Increased Dutch activity in all lines of business following devaluation of the guilder is beginning to be felt in other markets.

## Germany

**Food, raw material, and labor shortage becomes acute. Exports fail to keep up with production.**

BERLIN — (Cable) — Leaders are concerned over fresh evidences of food and raw material stringency.

Industrial production is continuing at record levels, but the country—even with the stringent import control regulations—is finding it necessary to ration materials to "essential" industries even more stringently than heretofore. More pressure is being applied on the huge research laboratories connected with the New Four-Year Plan for substitute material. Consumers' goods for domestic consumption will draw on these substitute industries as soon as products are developed. Imported raw materials will be rigidly preserved for producers' goods lines, and for defenses.

### Shortage of Manpower

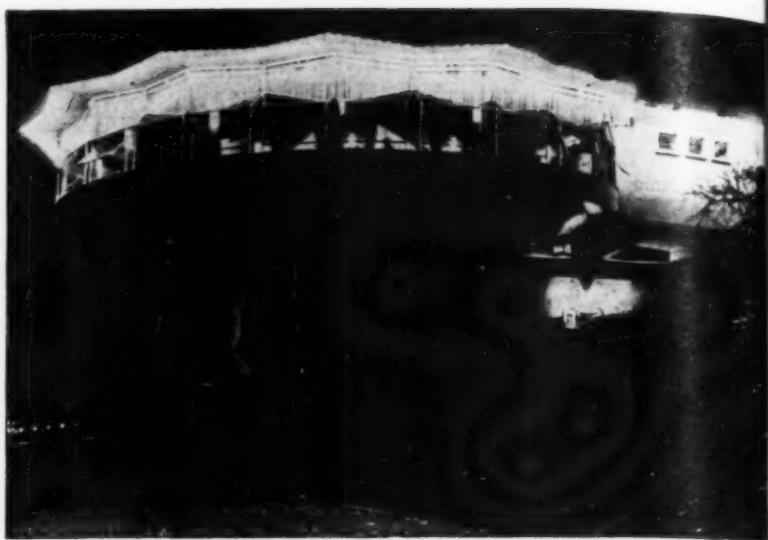
The labor shortage is acute in several lines. Skilled machine workers are not available in some industrial regions. The working day has been increased from 8 to 10 hours in the building trades in an effort to meet the skilled labor shortage in these industries. It is expected that the plan will spread very soon to the metals and machinery trades.

Coming on top of the food scarcity, employers are worried over the reactions of workers. There is no outward protest yet, but resentment may be accumulating under cover.

The seriousness of the food shortage is reflected dramatically in the decree this week that the farmers will be required to deliver to the government, before the end of the year, their full quotas of grain, though the plan originally called for deliveries to continue into the spring. Fear is that the farmers will use the grain if they hold it to feed cattle. With world prices mounting, Germany can ill afford to use any of her meager supply of foreign exchange for large wheat purchases.

Ration cards had not been expected this winter, but they may yet become necessary. The fat shortage has become so serious that the item will be rationed after Jan. 1. No other products are yet specified for such careful distribution.

There is small comfort in Germany over the fact that the Reich supplanted



**COLOGNE DINES, AND ADVERTISES**—For miles along the Rhine, Cologne's "Bastion" is visible on a clear night. It is a fan-shaped, hanging cafe, brilliantly illuminated, and serves as a striking landmark. (At Chicago's Century of Progress, similar eating places were proposed for the fairgrounds, but did not materialize.)

the United States as Brazil's major supplier during the first six months of the year. The two countries have been keen competitors for Brazilian business for many years. Also, German exports are likely to be heavier in the first half of the year, whereas the United States makes its largest shipments to Brazil beginning in September.

Government officials constantly drum over the radio the warning that exports must be extended if Germany is to be prosperous. Before the depressions, Germany exported from 20% to 25% of its industrial production. Last year, a bare 11% of output was sold abroad.

## Canada

**Dominion mining shares attract London investors. Revised trade pact benefits Britain.**

OTTAWA—London reports state that British investors are realizing on present security holdings and putting the proceeds into Canadian enterprises. Large amounts of British capital are said to be coming into Canada. Here disposition of these investments is not known but it is believed that much of it is going into mining.

Canadian mining is prospering more than any other industry, though tourism is still Canada's major source of income. Collapse of mining enterprises is rare and state regulation of securities' marketing has greatly curtailed wild-catting. Most of the producing companies are paying substantial dividends. The mining securities market continues strong and active without boom tendencies.

Canada's move to revise the trade

pact with Britain before the old one expired was unexpected (page 38). It is further evidence of the trade-mindedness of the Mackenzie King ministry. Ottawa is pursuing the same policy at Washington in seeking in all directions to break through international trade barriers and in recognizing that for Canadian goods to be sold abroad Canada must buy from the purchasers.

The new pact will not secure additional concessions for Canada from Great Britain, but will retain those provided in the 1932 pact.

European recognition of the increasing importance of Canadian trade is seen in Belgium's decision to establish a legation at Ottawa. Heretofore Belgium has been represented by a consulate. Canada will not immediately appoint a minister to Brussels. Germany is moving its consul general from Montreal to Ottawa, presumably in order that he may be in closer touch with the trade policies of the federal government.

### Premier Against Waterway

Main obstacle to the present American desire to revive the St. Lawrence waterway project is mainly in the anti-waterway attitude of Premier Mitchell Hepburn of Ontario. Ottawa understands that, failing revival of the project, United States interests will endeavor to have Canada permit export of power from Canadian enterprises on the St. Lawrence where much power is going to waste. It is thought Hepburn might not object to this, although the question would be entirely for federal decision.

Indications this week point to the biggest Christmas trade in the Dominion since 1929.

# Money and the Markets

**As business finishes its most active fortnight in six years, leading steel companies come through with dividends. Yet stock market is apathetic, largely because of European uncertainties.**

BUSINESS has just completed the most active fortnight in six years. Symptomatic of the trend is the surge of the steel industry. That trade, throughout the last week has hogged the headlines with new highs for operations, bright prospects for months to come, and some more excellent dividends to authenticate recaptured prosperity.

Most welcome, perhaps, of all the news was Bethlehem Steel's first dividend on the common stock since February, 1932. The payment was \$1.50 a share—\$4,791,471 as a total—and it was designed in part to fend off undistributed profits taxes. But, more vitally, the payment reflects official predictions that upwards of \$5,000,000 of earnings will be available for the common stock this year.

## Arrears Cleaned Up

Bethlehem's return to earning power was signaled last summer by the recapitalization through which preferred dividend arrears were cleared. Next, dividends were initiated on the new preferred stocks. Then came the report of nine months' earnings of \$8,609,514 compared with \$1,895,227 in the similar 1935 period. Now comes the common dividend, and the final milestone will be the statement for 1936 which apparently will show net income of about \$12,000,000 against \$4,291,253 for all of last year (not to mention the skinny \$550,571 for 1934 and the deficit of \$19,404,431 in the depression depths of 1932).

Meeting on the same day as the Bethlehem directors were also the boards of National Steel and Jones & Laughlin. National, in addition to authorizing an

## Baker Bank Changes

Jackson E. Reynolds, the man who carried the olive branch to President Roosevelt at the American Bankers' Association convention in 1934, this week resigned as president of the First National Bank of New York, effective Jan. 1. Leon Fraser (BW—Nov. 28 '36, p. 49), former president of the Bank for International Settlements, steps up from the vice-presidency to succeed Mr. Reynolds.

Mr. Reynolds will retain an office at the "Baker bank" and will serve in an advisory capacity. The retiring executive has been a consistent spotlight-shunner, but he stepped out of his behind-the-scenes role two years ago at the A.B.A. convention. He preceded President Roosevelt on the rostrum. His words, tactfully chosen, urged reciprocal understanding between the banks and the Administration. The short-lived truce was followed by the Banking Act of 1935.

extra of \$1 a share (\$2,156,977) increased the quarterly payment to 62½¢ or an annual rate of \$2.50, the highest

paid at any time since organization in 1930. The company had the best earnings in its history last year with net of \$11,136,452 or \$5.16 a share and, although the nine months this year ran slightly behind the 1935 period, the year's total probably won't be far from last year's.

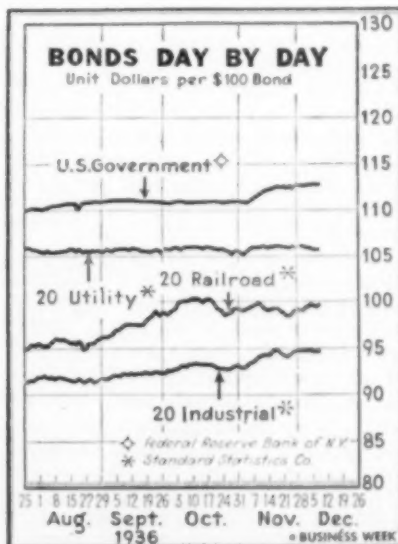
Jones & Laughlin, which authorized \$1.75 on its preferred stock some time ago, decided to pay \$2 on the senior shares' accumulations. This reduced accruals to \$26.25 a share and, as both the \$1.75 and \$2 payments are to go to stockholders in December, this month's disbursements will come to \$2,191,771.

## Output Rises Steadily

These dividends, like so many that have come in recent weeks, have the background of ever expanding operations. Daily average output of steel ingots in November was the largest since September, 1929, and operations currently are nearly 77%, the highest since the American Iron and Steel Institute began compiling records in 1933. Orders have flocked in (many admittedly to beat the gun on 1937 price increases) at such a rate that they assure continuation of present operations through January, and present indications are that there will be no material slackening in the first quarter of the new year.

In other industries the same trend is being confirmed. General Motors reports the best sales to customers in November that have ever been recorded for that month; moreover, the 155,552 cars sold last month don't compare too unfavorably with the big spring and summer totals, 1936's high being 200,117 in April. And this week the utility industry supplied another new high record which cracked through the 2,200,000,000 ceiling resoundingly—2,243,916,000 kw.-hr.

Yet stock traders, who reputedly are jaded with extra dividends, haven't





## Funds for Modernization or Expansion

can often be obtained by corporations without resorting to a major financing operation. Resale of stock previously purchased, or issuance of limited amounts of authorized but unissued treasury stock will often provide the necessary funds for expansion or modernization which may be an important factor in increasing future profits.

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been whetting their appetites on these business statistics. It seems almost as though Wall Street were heeding Washington's warnings against speculative excesses. But the explanation probably lies elsewhere.

For example, fourth quarter earnings (which will be compared with 1935's blazing final three months) won't show the sharp increases typical of the earlier periods this year. What the Street may be overlooking, however, is that a potentially fine first quarter of 1937 will compare with a relatively sickly three months in 1936.

Turning further for an explanation of speculative apathy, there is always the none-too-happy European situation—including Britain's "constitutional crisis" which has played hob with London security prices, and the Spanish situation.

Then too, there is the foreign investment influx of which Washington doesn't approve. Latest suggested measures to stem it are half a dozen tax possibilities. Each has the weakness of not only keeping out foreign money but of chasing out all that's here as well. The dangers of that flight from our shores are what everyone wants to avoid, not precipitate.

Commodities continued this week to attract a lot of attention but price movements were less tumultuous. Rubber

continued shaky on the prospect of higher quotas. Wheat, corn, rye, and oats were firm around recent highs but didn't get much further. Cocoa slumped on an adverse production estimate, then rallied moderately.

Cotton, for the first time this season, got a production report that was almost identical with the last one and right in line with expectations. So the market, which had waited hesitantly, rose mildly. Behind recent buying is the spectacular increase in mill activity in this country. Estimates of the season's domestic consumption run as high as 7,500,000 bales but foreign takings of American cotton have been lagging, so ultimate use is expected to come close to the latest official crop estimate of 12,407,000 bales.

**Holding Companies**—The utility industry took a partial defeat in its holding company litigation this week. An attempt to lift stays that are holding several of these cases in lower courts came before the Supreme Court. The decision was that the lower court had the right to issue the stay to avoid multiplicity of litigation but that such a stay could only remain in force a reasonable length of time. Thus other cases may sooner or later be carried forward.

Meanwhile, however, the Securities

and Exchange Commission will have had ample time to get in first to the Supreme Court with its "hand-picked" Electric Bond & Share test case. That is what the other utilities have been trying to head off. The slight progress made in this latest court ruling promises to be of little value.

**Commodity Law Wins**—Constitutionality of commodity exchange regulation isn't likely to be contested successfully, at least until somebody can show more material damage than so far has been the case. This conclusion was to be drawn from this week's Supreme Court refusal to review two cases decided in favor of the Commodity Exchange Administration in lower courts.

This was no surprise to lawyers who have followed unsuccessful efforts to upset the Grain Futures Administration (CEA was held by lower courts to be simply an extension of Grain Futures) and the Packers and Stockyards. Plaintiffs who sought review were a group of leading Chicago Board of Trade members in one case and a Chicago Mercantile Exchange member in the other.

**Interest Rates**—Some of the top-grade utility bonds now are selling at such high prices that they yield a shade less than 3%. This is the case with New York Edison's 3½s of 1965 which, selling above 105½, return about 2.96% to maturity.

There obviously would be too much expense involved to justify replacing 3½s with 3s, but the situation raises the question whether some of the utilities could not market 3s in forthcoming financing. No underwriting



Underwood & Underwood

**NEW I.B.A. CHIEF**—25th annual convention of Investment Bankers Association of America named Edward B. Hall of Harris, Hall & Co., Chicago, president to succeed Orin G. Wood of Estabrook & Co., Boston.

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Underwood & Underwood

**CALM ENOUGH NOW**—Picture of self-possession is E. E. McCrone (right) as he confers with James Austin of SEC at commission's investment trust hearings. But a moment later McCrone, Detroit, N. Y. Stock Exchange member, and formerly connected with the Investment Co. of America, was swinging at the cameraman, protesting to SEC that it should protect him from pictures taken against his will.

house so far has been bold enough to test the market with coupons under 3½%, but present trends indicate that it might now succeed.

The next question is, "Would it be profitable?" Suppose a corporation wants to raise \$10,000,000. An A-1 mortgage due in 30 years and bearing interest at 3½% can be sold at 105; the same issue at 3% could bring 100. In each case underwriters' commission of about \$2 per \$100 must be deducted. And here's how it works out:

	at 3½	at 3%
Par amount sold..	\$9,708,737	\$10,204,081
Proceeds .....	10,194,173	10,204,081
Underwriters' com.	194,173	204,081
Interest cost .....	9,466,018	9,213,672

Carrying on from those figures, the following results are obtained:

Principal saving on 3½s .....	\$495,344
Interest saving on 3s .....	252,346
Tax saving on 3s .....	45,000

Net advantage of 3½s .....

The way taxes get into the discussion is this. If 3½s are sold, the premium over par obtained by the company is profit from Uncle Sam's point of view, and subject to income taxes on an amortized basis. On the other hand, the discount on 3s is an expense and, for tax purposes, may be taken out of income over the life of the bonds.

**What Price Premium?**—Institutions (mostly banks and insurance companies) and private investors would do well to engage in a little government

ber, 1937, maturities are selling well above par. Holders receive no return at all.

The best they can hope for is a crack at a refunding issue, out of which they might expect to receive, in a par-for-par exchange, a new bond which will zip immediately to a premium. But what if the government does not refund?

There is no assurance that Sec. Morgenthau will need money Apr. 15 or Sept. 15. There is even a possibility that he will have so much cash on hand that he will retire the notes out of till money. Then the holders will be in the bag. Or there might be some "courtesy" refunding, in which case holders of the maturing notes would not receive an even-even swap.

### Budget Balance Nearer

That might appear to be a surly trick. But a word to the wise and a little study of the government's fiscal position ought to be sufficient. On Mar. 15, the first instalment of 1936 income tax payments will come in. That will stuff Treasury coffers. Also, Social Security collections will be received. Between the two, new financing may be superogatory. Moreover, the days of deficit financing may be nearing an end. The budget—though the President's statement to Congress in Janu-



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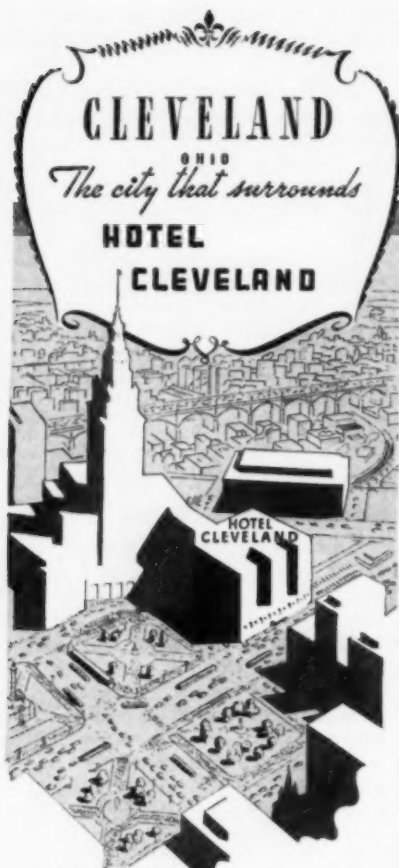
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ary may not be too emphatic—is approaching balance.

Higher revenues, not decreased expenditures, account for that. Even a generous Administration will find it hard to out-spend income during a period of business recovery. Thus three elements are working against the continuance of high premiums of U. S. near-maturities. They are: (1) March tax collections; (2) Social Securities investments; (3) rising revenues.

**Big Bills**—One cannot go running around the country carrying \$10,000 bills—at least it doesn't seem reasonable, even though Mark Twain had a character who used a £1,000,000 bank note with a fair degree of success. Ten thousand dollar bills aren't readily cashable. They are oddities, rather than currency. Yet there are 2,100 of them in circulation. The number has been going up fairly steadily, too.

In fact, it is one of the anomalies of business recovery that so many big bills should be outstanding. When banks were on the run, so to speak, in February and March, 1933, there was a heavy demand for large denomination Federal Reserve notes—ranging from \$500 to \$5,000 and even \$10,000. They didn't wad, when hoarded. But the queer part of the business is that these big

bills have not come back to the Reserve Banks, now that the panic is over.

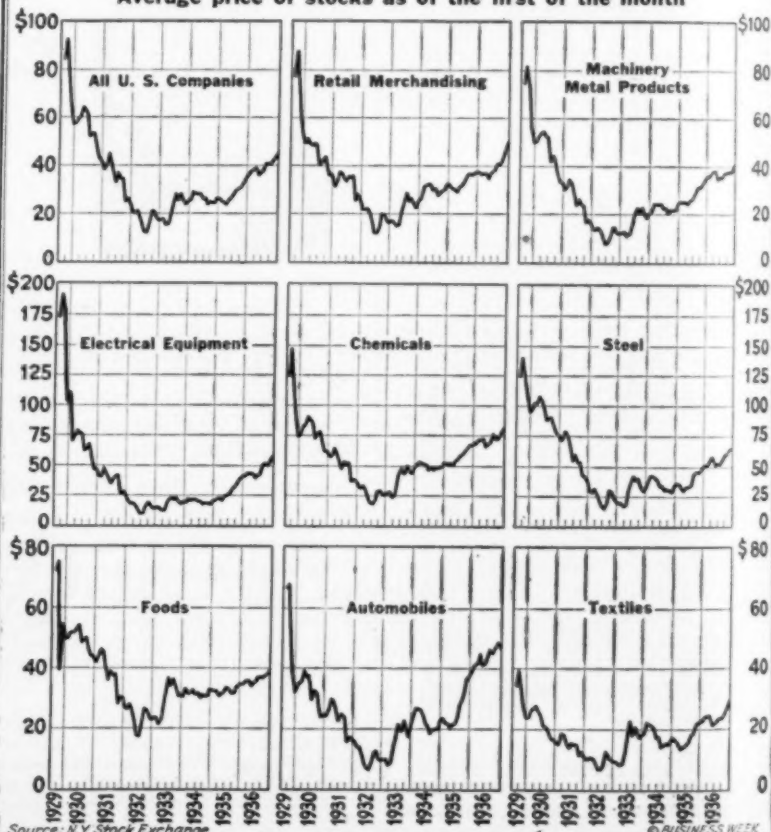
In September, there was outstanding \$1,083,000,000 in notes of \$500 to \$10,000 denomination. That was a decline of only \$66,000,000 from Mar., 1933, when figures on large size bills first became available. The explanation would seem to be that those who decided it was good to have large bills as a cushion in 1933 will sleep easier with a little extra padding in the mattress. Or maybe it's just that the 2% or 3% they could get for their money is not sufficient inducement to dig up.

Incidentally, when Joe Gould, manager of James J. Braddock, world's heavyweight prize fight champion, found ten \$10,000 bills thrust under his nose as a come-on for his man to trade blows with Joe Louis, he got suspicious.

"What was the idea of trying to do business with \$10,000 bills?" barked Gould. "Fives, that's the stuff when you want to sign up a longshoreman (Braddock's former occupation). But those \$10,000 bills! Why, if you had one of them and nothing else, you might starve to death for want of a sandwich and a cup of coffee. The first time you flashed it cops would come running." Which doesn't jibe with Mark Twain's story.

## STOCK TRENDS BY MAJOR GROUPS

Average price of stocks as of the first of the month



Source: N.Y. Stock Exchange

©BUSINESS WEEK



## Editorially Speaking—

MERCHANT tailor designers say it will take 19 outfits to be well-dressed next season. Better make a date with the tailor for March. You'll need another suit.

ANOTHER tough winter is coming, say the long-range weather prophets. And gosh, how that must break the hearts of the people in Florida, Mississippi, the Southwest, California, and the other havens of warmth where they're looking forward to the lushest crop of solvent tourists since '29.

WHAT is the future of the American people, pigs, and chickens? One-third of this question comes within the province of Prof. Sleeter Bull of the College of Agriculture of the University of Illinois. Prof. Bull says we've lost most of our export lard market and in addition are not eating as much lard as we did a generation ago; hence lard is cheap. But bacon is dear. Surely, he says, we should develop a streamlined hog, with a fat belly for bacon rather than a fat back for lard.

At least that's what he's quoted as saying. Maybe someone got him wrong. Lard doesn't come from the back of the hog. A skinnier back would merely mean leaner pork chops.

As to chickens, there were startling revelations at the recent Poultry Industries Exposition. Not only can you pay nearly \$6,000 and get an electrically operated incubator that holds 65,000 eggs at a time, not only can you take a three-week sexing course in a school and become a professional sexer, able to determine the sex of a new-hatched chick in 95 per cent of the cases, but you can also learn how to breed bigger and bigger chickens, laying bigger and bigger eggs, fit for a giant's banquet. One expert, looking ahead a century, foresees chickens as big as pigs, and eggs as big as footballs.

How many people will there be to eat the streamlined bacon and to ladle their eggs out of gallon eggcups? Recently Prof. O. E. Baker, economist of the Department of Agriculture, told the Population Association of America that the birthrate of the United States has declined more than 25 per cent in the last decade and that the population would probably hit its peak about 1945 or 1950 and then would decline, at first slowly, but later at an accelerating rate.

Five days after Prof. Baker's speech, the Bermuda government revealed that it was planning to limit the population of the island by teaching birth-control.

And three days after that, Dr. Raymond Pearl and Sophia A. Gould, of the Johns Hopkins University School of Hygiene and Public Health, issued a re-

port on world population. Since 1630, they said, it had nearly quintupled, going up from 445,000,000 to 2,073,300,000; and they predicted that in 2100 it would reach a top of 2,645,500,000.

It may be they're right. Maybe the coming wars won't fling us back into a new Dark Age that will shrink the world population to a billion. In 2100 there may be exactly 2,645,500,000 people on this sad and silly planet; and by that time the pig-sized chickens may have swelled to the size of a rhinoceros, and maybe the breakfast egg will be as big as a beer barrel.

A YOUNG man was arrested the other day while engaged in his occupation—stealing electric light bulbs from apartment house lobbies. He went nowhere else and he stole nothing else. If you want to succeed nowadays you've got to specialize.

A FEW of the Fred Smiths who are always getting each other's phone calls have organized the Benevolent and Protective and Completely Universal Order of Fred Smiths. What ever became of the Association for the prevention of Taking Hats Off in Elevators, and of its women's auxiliary, the Society for the Protection of Ladies Whose Eyes Have Been Blackened by Gentlemen Taking Hats Off in Elevators?

ARTHUR MENKEN, a socially prominent young man who was recently in Spain, where he took newsreel pictures of the rebel army, says he saw nothing that could be called an "atrocious." "Of course," he adds, "they are very free about executing the enemy when captured. Once I saw five old ladies lying dead beside the road. They had been shot by a firing squad." How nice to have no atrocities.

LOVE, as you may have heard occasionally, is a wonderful thing. And it's been going on for a long time. Shakespeare has some words on it:

"And Silvia is myself: banish'd from her  
Is self from self: a deadly banishment!  
What light is light, if Silvia be not seen?  
What joy is joy if Silvia be not by?  
Unless it be to think that she is by  
And feed upon the shadow of perfection.  
Except I be by Silvia in the night,  
There is no music in the nightingale."

For Silvia you can substitute Sally, Sarah, Sonia, Swanson, or any other name that suits Shakespeare's meter and your own meaning.

THE University of Iowa has opened a liquorless night club, thus providing the students with a suitable place to sing, "Nobody knows how dry I am."

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DECEMBER 12, 1936

## For Peace and Prosperity

An extraordinary and historic change is taking place in the relations between the United States and the other nations of this hemisphere. At Buenos Aires, in the Inter-American Conference for the Maintenance of Peace, the 21 American republics are joining hands for democracy, peace, and prosperity, and against despotism, war, and depression.

"The world is seized by fear and left to the mercy of the wreckers," declared Sec. Hull in his remarkable speech, packed with hard sense and practical proposals for using the united efforts of the American republics to protect themselves from the repercussions of the violent acts committed by treaty-breaking nations. His program has two main parts: a unified policy of neutrality if war breaks out; a unified attempt to revive world commerce in order to prevent war.

As improved communication and transportation make the world smaller, it becomes impossible for any country to isolate itself from events overseas. Moreover, the creditor position of the United States makes foreign trade vital to its prosperity. At the same time, the intense development of nationalism in several aggressive European and Asiatic countries is hampering world trade.

Our best chances of promoting foreign trade are in the less developed nations. We have a large part of the market in the two Americas. But back in the last century our commercial efforts and diplomatic methods alienated Latin American sympathies. We implemented the Monroe Doctrine with a club which did not land on European heads alone. Some of the Latin American countries suffered bruises and nurtured a grudge.

President Roosevelt, by deeds and words, by the shrewd and tactful conduct of the State Department, and the sincere and intelligent speeches of himself and Mr. Hull, has convinced the Latin American nations that we have a new attitude. We want to become their partner and not their dominator. It is true that by reason of our size and wealth we shall be more influential than any other country in the partnership. There is no way of attaining complete equality. But honest bargains can be made; for every benefit there can be a compensating payment; and the nations

of the Americas can work together to promote peace and prosperity.

As Mr. Hull points out, "there has taken place even among the American nations a growth in the restrictions upon trade and an extension of discriminatory practices." And he urges the American policy of reciprocal treaties, with complete equality of treatment, in place of the "short-sighted, war-breeding bilateral bargaining method of trade."

But even an enlightened trade policy will not assure peace. "The forces of militarism" are getting stronger. "We recognize," he says, "the right of all nations to handle their affairs in any way they choose, and this quite irrespective of the fact that their way may be different from our way, or even repugnant to our ideas. But we cannot fail to take cognizance of the international aspect of their policies. . . . A policy leading to war may react upon us."

It is for this reason that the United States urges a united neutrality program by all the Americas. Nothing could do more to discourage the aggressive nations than the knowledge that in the event of war they would be denied essential supplies by neutral nations of the New World.

## Speaking Out For Investors' Interest

At first glance it might be thought that investment bankers would approve the federal surtax on undistributed corporate income. Since the tax forces corporations to go into the market for new funds, it might be assumed that investment bankers would accept the profitable opportunities offered and keep their mouths shut.

And yet the taxation committee of the Investment Bankers Association assails the tax and urges remedial legislation. The reasons are simple and sound. Investment bankers are

the people who actually have to go into the market to sell securities; they are the middlemen between the corporation and the investor. They realize that the investor's interests will be harmed if corporations are compelled to pay out earnings. By a lavish dividend policy, the intrinsic underlying safety of the bonds or stocks that the investment bankers take to the public will be impaired. And, in the long run, investment bankers will not prosper unless investors do. It is both a plain duty and a sensible business precaution for investment bankers to point out the badness of the new tax.

## Fixing Prices And Freezing Our Economy

The Supreme Court decision sustaining state resale price-fixing laws seems a reversal of the court's previous attitude. In the Dr. Miles medical case, for example, the lower federal courts declared that the manufacturer of trademarked goods had the right to fix the price at which it should be resold; but the Supreme Court decided differently. Now the Supreme Court decides the way the lower courts did before.

Manufacturers who do not wish to fix resale prices will now be boycotted by many wholesalers and retailers unless they yield. It may be that distributors of price-fixed goods will temporarily find it easier to make a living. But what of the permanent results? The decision tends to freeze our economy. It weakens initiative and efficiency, as European cartelization has generally done. Congress will probably pass another Guffey bill, to create price rigidity in the coal industry. It may pass a modified NRA bill for all industry. Some state legislatures may establish little NRA's. Most of the states will probably pass manufacturers' price resale bills.

Such legislation may temporarily anesthetize certain mercantile evils, but there is a question whether they will not eventually injure our economy. A manufacturer who has to meet lower prices will set his engineers at work to reduce costs. If price competition is removed he gets lazy and the public pays to support an inefficient productive organism.

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York. Tel. ME 4dillon 3-0700. Price 20¢. Subscription: \$5.00 a year, \$10 for three years. U. S. A., possessions, and Canada. Other foreign, \$7.50. Cable Code, McGrawhill.

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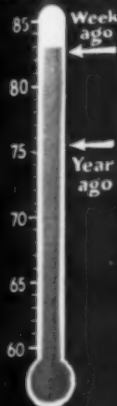
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